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Letter dated 7 June 2006 from the Chairman of the Security Council Committee established pursuant to resolution 1521 (2003) concerning Liberia addressed to the President of the Security Council

On behalf of the Security Council Committee established pursuant to resolution 1521 (2003) concerning Liberia and in accordance with paragraph 9 (e) of resolution 1647 (2005), I have the honour to submit herewith the report of the Panel of Experts on Liberia.

I would appreciate it if the present letter, together with its annex, were brought to the attention of the members of the Security Council and issued as a document of the Council.

(*Signed*) Ellen Margrethe **Løj**
Chairman
Security Council Committee established pursuant
to resolution 1521 (2003) concerning Liberia

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Letter dated 25 May 2006 from the Panel of Experts on Liberia addressed to the Chairman of the Security Council Committee established pursuant to resolution 1521 (2003)

The members of the Panel of Experts on Liberia have the honour to enclose herewith the report of the Panel, submitted in accordance with paragraph 9 (e) of Security Council resolution 1647 (2005).

Panel of Experts on Liberia

(Signed) Arthur **Blundell**
(Signed) Damien **Callamand**
(Signed) Caspar **Fithen**
(Signed) Tommy **Garnett**
(Signed) Rajiva Bhushan **Sinha**

Report of the Panel of Experts submitted pursuant to paragraph 9 (e) of Security Council resolution 1647 (2005) concerning Liberia

Summary

Timber

Sanctions are generally effective and there is no evidence of exports. President Johnson-Sirleaf's first Executive Order declared all logging concessions null and void due to their failure to comply with the rule of law. The Order also prohibits the resumption of industrial logging until reforms are complete. These reforms are necessary given that the Forestry Development Authority (FDA) still does not have the ability to prevent illegal logging. Nevertheless, the FDA has made many dramatic improvements, especially in cooperation with the United Nations Mission in Liberia (UNMIL), to improve revenue collection.

Diamonds

A tranche of 1.4 million dollars designated for diamond sector reform was disbursed by the United States of America in January 2006. A contract for the management of this funding was awarded to the United States-based international consultancy Futures Group, which is now embedded at the Ministry of Lands, Mines and Energy to oversee and coordinate project activities with a view to preparing Liberia for its application to join the Kimberley Process Certification Scheme. The Ministry and Futures Group have agreed upon a system of internal controls that they believe will be acceptable to the Kimberley Process and that suit the local environment and budgetary constraints.

The deployment of personnel and vehicles, the acquisition of certificates and the final preparation of an assaying laboratory are now under way. However, the harmonization of these components into a functioning mechanism still requires considerable work on the part of engaged partners. A Government Economic Management Assistance Programme (GEMAP) official has been appointed to carry out a concession review at the Ministry of Lands, Mines and Energy and assist with the day-to-day running of Ministry affairs. From 22 to 28 May 2006, a Kimberley Process expert mission is conducting a review of preparations by the Ministry to apply for participation in the Kimberley Process Certification Scheme.

Although the 14 January 2005 suspension of the issuance of all licences and permits for diamond mining continues, a lack of government capacity and the absence of a clear mandate of interdiction for UNMIL have hampered efforts to curb illegal digging in the interior, which is increasing in most areas. In one case, mining settlement poses a significant risk to public health.

Finance

Financial accountability and transparency have become a key issue for the newly elected Government of Liberia. President Johnson-Sirleaf has appointed to key positions people who share her belief in a transparent and honest Government. This

cadre of leaders has begun the long-term process of bringing Liberia back from the brink of becoming a failed State with a collapsed economy.

Although there is a desire, with regard to the financial matters, to leave the past behind and look towards the future, this is difficult to achieve given the absence of functioning institutions for ensuring accountability. Many of the past financial dealings and decisions, entered into under far from fair and transparent circumstances, have far-reaching effects. They need to be addressed. The decisions to be made are difficult and carry grave consequences but must be made for the country to flourish.

President Johnson-Sirleaf has pledged to audit all government accounts, but the process needs to begin soon and in earnest. Audits, once begun, take time to complete. The results must then be used to address core issues, such as how to bring the maritime revenues back to 1997-2000 levels. The President needs to do her utmost to strengthen institutions like the Office of the Auditor General, the Governance Reforms Commission, the Anti-Corruption Commission and the Judiciary.

The recast budget focused on immediate issues, but the budget for 2006-2007 should set a precedent for the future with allocations that stimulate growth, especially in the social and economic services sectors, such as health, education, public works, rural development and agriculture.

If the progress started continues, then when sanctions are lifted, gross domestic product (GDP) will increase, consolidating the entire economy with the security that additional revenues will accumulate to the Government and not fuel any future conflict.

Socio-economic and humanitarian impact of sanctions

There are many opportunities for positive change, in the light of the amply demonstrated good will of the international community towards the post-war reconstruction efforts and the rebuilding of democratic institutions in Liberia, aided greatly by the integrity of the new Government and its emphatic endorsement of GEMAP, implementation of which has already begun.

At the same time, the Government's current institutional capacity remains extremely limited in many aspects, particularly the delivery of basic social services. The restrictions imposed by the United Nations sanctions on timber and diamond exports, despite their beneficial effects in terms of instituting reforms in these sectors, continue to be perceived by many Liberians as one of the main reasons for high unemployment and the attendant social and economic hardships.

While the reforms, underpinned by sustainable natural resource management, can contribute to profitable exploitation of these resources and benefit the Liberian people in the long term, fulfilling the urgent needs of Liberia's poor, especially the youth, appears to be the biggest challenge that the Government and its international partners will need to tackle in the immediate future.

Travel ban

Violations of the travel ban have been observed by the Panel involving nationals of Lebanon using airports as point of entry into countries both in Africa

and Europe. Owing to the porous borders in the West African subregion it was more difficult to track down possible violations of the travel ban there. The travel ban remains an efficient tool for the benefit of the international community, and countries should be encouraged to implement it at its best level.

Arms embargo

No imports of weapons have been acknowledged in Liberia since 2003. UNMIL and the United Nations Development Programme (UNDP) in Liberia still collect small arms and light weapons in limited quantities. Similarly, no significant development of cross-border recruitment has been observed along the borders of Liberia. However, the situation is still fragile, with a significant number of ex-combatants still not included in the reintegration programme, especially at the borders and around Monrovia, the capital city. Some ethnic tensions have also been observed in Nimba and Lofa counties. The new Armed Forces of Liberia and the police are currently in the phase of recruitment, including a stringent vetting process.

Abbreviations

AFL	Armed Forces of Liberia
AKS	Avtomat Kalashnikova (folding butt version)
AMA	American Mining Associates
BIVAC	Bureau Veritas
BMA	Bureau of Maritime Affairs
CIFOR	Center for International Forest Research
CIVPOL	United Nations Civilian Police
EC	European Commission
ECOWAS	Economic Community of West African States
EGSC	Economic Governance and Steering Committee
EU	European Union
FDA	Forest Development Authority
FRMC	Forest Reform Monitoring Committee
GAO	General Auditing Office
GEMAP	Government Economic Management Assistance Programme
GDP	Gross Domestic Product
IAS	International Air Services
ICG	International Crisis Group
IDP	internally displaced persons
IMF	International Monetary Fund
JIU	Joint Intelligence Unit
JMAC	Joint Monitoring Analysis Cell
LFI	Liberia Forest Initiative
LISCR	Liberian International Ship and Corporate Registry
LIMINCO	Liberian Mining Company
LMG	Light Machine Gun
LPRC	Liberia Petroleum Refining Corporation
LURD	Liberians United for Reconciliation and Democracy
MD	Managing Director
MEG	Mechanical Engineering Group
MODEL	Movement for Democracy in Liberia
MOTC	Monrovia Oil Transport Corporation

NPA	National Port Authority
RPG	Rocket propelled grenade launcher
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Education Fund
UNMIL	United Nations Mission in Liberia
WFP	World Food Programme

I. Introduction

1. On 20 January 2006, the United Nations Secretary-General appointed a Panel of Experts to: (a) investigate and report on the impact and effectiveness of the sanctions imposed on Liberia by the Security Council; (b) assess progress towards meeting the conditions for lifting those sanctions; and (c) assess the humanitarian and socio-economic impact of those measures. The sanctions include arms, timber and diamonds, and the travel of those people that the Council deems a threat to peace, and the freezing of their assets. Between February and May, the Panel conducted assessments in Liberia, Sierra Leone, Lebanon, the European Union, the United States of America and the United Arab Emirates, and collaborated with the Panel on Côte d'Ivoire. Pursuant to Council resolution 1647 (2005), the present report contains an assessment of the sanctions.

2. Unless the Security Council adopts a new resolution, the commodity sanctions will expire on 21 June 2006. While the arms embargo and travel ban are in place until 21 December 2006, the assets freeze is ongoing, reviewed regularly by the Council.

Basis for the sanctions regime in Liberia

3. In 2001, the Security Council first sanctioned Liberia for its role in the conflict in neighbouring Sierra Leone (resolution 1343 (2001)), thus restricting trade in arms, diamonds, and the travel of key individuals undermining regional peace. In 2002, the Council further demanded audits on timber and the Liberian shipping registry (resolution 1408 (2002)). In May 2003, the Council increased pressure by extending sanctions to timber (resolution 1478 (2003)) and a month later the Special Court in Sierra Leone indicted then-president Taylor on crimes against humanity.

4. The growing pressure from sanctions and the further expanding conflict, including insurgencies from Guinea by the rebel group Liberian United for Reconciliation and Democracy (LURD) and from Côte d'Ivoire by the Movement for Democracy in Liberia (MODEL), forced the Government of Liberia to a Comprehensive Peace Agreement. Taylor fled into exile in Nigeria, temporarily avoiding the Special Court, and his government was replaced by the National Transitional Government of Liberia, composed of the three warring factions. Given the tenuous situation, the Security Council remained concerned that the Comprehensive Peace Agreement was not universally implemented and that the linkage between natural resources and the proliferation of arms continued to exacerbate regional conflict. Thus, in December 2004, the sanctions were renewed (resolution 1579 (2004)). The Council further expanded the sanctions on individuals by demanding that countries freeze the assets of key people, some of whom had high-ranking positions within the National Transitional Government (resolution 1532 (2004)).

5. Implementation of the Comprehensive Peace Agreement remained tenuous, corrupt National Transitional Government officials misappropriated much of the State's revenue and the Minister of Justice, Kabineh Ja'neh, failed to implement the assets freeze, so in June 2005 (resolution 1607 (2005)) and again in December 2005 (resolution 1647 (2005)), the Security Council maintained all sanctions.

6. In the past, access to profits from the exploitation of natural resources has allowed Liberians to fund violent conflict. At one point in the mid-1990s, Taylor

was earning an estimated $10 million per month in "taxes" from iron ore, timber, rubber, gold and diamonds in the areas of Liberia that his forces controlled. Until the Government can meet the criteria to ensure that timber and diamonds will not further conflict, the Council has resolved to maintain the sanctions in the interest of regional peace and stability.

Situation in Liberia

7. On 16 January 2006, Africa's first elected female leader, Ellen Johnson-Sirleaf, was inaugurated as President of Liberia. Although the losing candidate did not automatically accept the results, the election was generally regarded as free and fair — for which the United Nations Mission in Liberia (UNMIL) and especially the people of Liberia deserve great credit.

8. The task undertaken by President Sirleaf is daunting. Although not officially ranked, Liberia is among the countries at the very bottom of the UNDP Human Development Index of 2005. During its two-year tenure, the National Transitional Government failed to deliver any services; even the capital, Monrovia, lacks electricity, water and sanitation services. The legacy of the National Transitional Government and the National Transitional Legislative Assembly is the extraordinary corruption and incompetence that continued the suffering of the Liberian people (see paras. 68-109 of the present report, previous Panel reports and the management audits commissioned by the EU). ECOWAS also conducted an investigation into certain financial affairs of the National Transitional Government, including the missing revenue from the sale of iron ore (see Panel reports S/2005/360, para. 172, and S/2005/745, paras. 103-105) but the ECOWAS findings have not yet been made public. Although official unemployment stands at more than 80 per cent, the civil service is grossly overstaffed and desperately underpaid (50,000 civil servants, approximately 30 per cent more than are needed, receive $30 each per month).

9. A recent assessment of the rubber plantation sector serves to demonstrate the plight of the average Liberian. Rubber remains the principal export of Liberia[1] and plantations (rubber, oil palm, timber) are likely to be a major source of investment in the near future. However, the United Nations and the Government of Liberia report that the seven largest rubber plantations currently contribute little to the development of the country. As with the forestry concessions in the past, the National Transitional Government awarded rubber plantations as patronage, rather than through a competitive bid. Neither the National Transitional Government, nor the companies themselves, could demonstrate that the plantations were complying with tax and land lease regulations. Living and working conditions are "appalling" and in some of the plantations akin to "quasi-slavery". The vast majority of workers live with no electricity, running water or latrines. Worker safety is generally ignored. Children often assist relatives in meeting daily production quotas. Two of the plantations, Guthrie and Sinoe, are controlled by ex-combatants. Moreover, the security forces of the plantations, which greatly outnumber the local Liberian National Police presence, operate outside the rule of law, with illegal arrest and detention common.

[1] The second most valuable export was scrap metal — during the National Transitional Government period, functional structure, such as the plywood mill in Buchanan of the Oriental Timber Company, were torn down and sold as scrap for short-term profit, rather than being maintained, which could have served as the basis for future development.

10. At present, the local security situation is calm. The United Nations classifies Liberia as being in phase 3, and in phase 4 along the border with Côte d'Ivoire. Taylor's arrest in Nigeria in March and subsequent transmittal to the Special Court in Sierra Leone initially raised security concerns; however, no incidents have been reported in Liberia.

A Republic

11. President Sirleaf is joined in rebuilding Liberia by the Legislature: 30 senators (two per county, led by President Pro Tempore of the Senate Issaac Nyenabo) and 64 representatives (led by Speaker Edwin Snowe). Given that no single party holds a majority in either chamber (see Panel report S/2005/745, para. 17), it is difficult to identify a legislative agenda. So far the House has only passed one bill, and the Senate has yet to pass it. Nevertheless, the legislature must play a significant role in the sanctions regime:

- The current Minister of Justice, Frances Johnson-Morris, wants implementing legislation passed to allow the implementation of Security Council resolutions. It is unlikely that the Legislature will do this, given that four of the members, including the Speaker, are on the travel ban/assets freeze list (see Panel report S/2005/745, para. 14 and table 1).
- In order to cement the reforms in the forest sector, the legislature must amend the current forestry law.
- The National Transitional Assembly passed the necessary laws to implement the Kimberley Process for diamond certification.

12. In mid-April, the Senate sentenced Acting Finance Minister Francis Karpeh and Minister Without Portfolio Morris Saytumah to 72 hours in custody because the senators were unsatisfied with the explanation for why reimbursement of transport expenses was delayed. The senators were not happy with the Ministry of Finance's position that transport expenses should be paid directly to vendors for supplying vehicles/cars or that taxes should be deducted if the full payment was made to the senators directly, as it would amount to income. Tension was also brewing between the executive and the legislature on many other issues, including the passage of the recast budget.

13. Obtaining accountability and putting an end to corruption in a culture of impunity are daunting tasks. Traditional "oversight" mechanisms have failed. Under the National Transitional Government, the boards of directors of the various State-owned enterprises abandoned their fiduciary and legal responsibilities. For example, the Board of the Forestry Development Authority (FDA) failed to ensure that financial statements were prepared and the accounts audited. Furthermore, it did not address the policy issues in its charge, such as dealing with the widespread illegal logging (see para. 24 below). Despite this, the Board still insists on $9,000 "sitting fees", while staff salaries remain in arrears. Likewise, the General Auditing Office should provide oversight for the entire Government. Yet when that Office was asked to audit the sale of the scrap iron ore abandoned by the Liberian Mining Company (LIMINCO) mine in Buchanan, extreme pressure from the Chairman of the National Transitional Government forced the Auditor General to provide a report indicating that the transaction was correct even though he had been shown no supporting evidence (see paras. 88-92 below).

Acknowledgements

14. The Panel is grateful for the assistance of the various ministries and agencies of the Government of Liberia and to UNMIL for its invaluable support, especially in the areas of security, administrative and logistical support, and transportation, including by air. The Panel received useful cooperation and assistance from several additional local and international organizations listed in annex I.

Standards of verification

15. The Panel used the same evidentiary standards as in previous reports. Wherever possible, the Panel relied on fully authenticated, documentary evidence. Where this was not possible, the Panel required at least two credible and verifiably independent sources to substantiate a finding. Where appropriate, allegations against States, individuals and enterprises were put to those concerned to allow them the right of reply. In its efforts to present only irrefutable facts, the Panel has omitted all information for which it has not been able to find conclusive evidence.

Composition of the Panel of Experts

16. The Panel of Experts consisted of a timber expert, Arthur Blundell (Canada) (the Panel Chair); an expert with Interpol investigative and arms experience, Damien Callamand (France); a diamond expert, Caspar Fithen (United Kingdom of Great Britain and Northern Ireland); an expert on humanitarian and socio-economic matters, Tommy Garnett (Sierra Leone); and an expert on financial matters, Rajiva Sinha (India). The panel was assisted by a consultant with expertise in money laundering, Tom Brown (United States of America).

II. Timber

New order

17. The first executive order issued by President Johnson-Sirleaf implemented all the recommendations of the Forest Concession Review Committee and declared all concession claims to be null and void due to their non-compliance with the rule of law (see S/2005/745, paras. 71-72). Executive Order No. 1 also established the Forest Reform Monitoring Committee (FRMC), composed of representatives of the Government of Liberia, the international community (the Liberia Forest Initiative (LFI)) and civil society, tasked with developing the necessary reforms so that the forests of Liberia are not a source of conflict, but are used for the benefit of all Liberians. The work of the FRMC is ongoing, but the following achievements have been reached: draft amendments to the Forestry Law, relevant regulations and a model contract; draft land-use planning process; and an initial forest inventory. President Johnson-Sirleaf assured the Panel that Executive Order No. 1 provides an important safeguard, as it ensures that no industrial logging can occur until the completion of the FRMC reform process.

Compliance with sanctions

18. The sanctions are effective. No industrial logging operations exist in Liberia and no exports have been reported.

19. The FDA has cooperated with UNMIL to ensure that military checkpoints in Monrovia monitor the transport of all forest products, which has increased revenue significantly. Based on this positive experience, UNMIL will expand the effort to the other forest-producing areas. Pursuant to paragraph 5 of Security Council resolution 1647 (2005), UNMIL has also offered to use Military Observers to assist the FDA with joint patrols to monitor logging operations.

Financial control

20. There has been a dramatic improvement in the operations of the FDA since the election. In the first two months under the new Managing Director, John Woods (confirmed by the Senate on 16 March), the FDA has deposited approximately $140,000 in taxes and fees with the Central Bank of Liberia, roughly the same amount collected during the entire tenure of the National Transitional Government.

21. PriceWaterhouse Coopers has assisted in preparing the financial records for the European Commission (EC)-funded audit to be completed by July. The GEMAP financial controller, a Canadian, Rejean Labonte, is now in place.

22. The FDA plans to implement a log monitoring system that can track timber from stump to export, ensure that illegal wood is not entering the system and verify that taxes and fees have been paid prior to shipment being allowed. To that end, the FDA has completed a "request for information" for independent companies to bid to run the verification scheme. Once funding is established, a "request for proposals" will be issued. The LFI hopes that the contractor could be in place by the end of 2006.

Dysfunction

23. Unfortunately, the Managing Director inherited a dysfunctional organization. The FDA is overstaffed: whereas an estimated 350 personnel are needed, 527 are on the payroll. Like all government agencies, the FDA will have to determine staffing needs and pay the retained staff a living wage. Once trained, the staff must be held accountable in their job performance. At present the field offices remain idle, which undermines control of the forest resources.

24. Pitsawing (the use of chainsaws to cut and process logs into planks) is widespread. In March, the FDA and UNMIL conducted a survey and found that there are approximately 1,000 pitsawyers, many of whom are ex-combatants, working in roughly 200 areas. Although the FDA has begun taxing these operations, they still remain, strictly, illegal. The FDA has yet to take any action to stop, or even manage, the pitsawing. However, the FDA is working with the Liberia Forest Initiative (LFI) (the international cooperative effort to provide technical assistance) to develop a management system, at least until the formal sector recovers to meet the domestic demand for timber. The joint FDA-UNMIL patrols should help address the situation and get the FDA staff out working in the field to manage the forest.

Future of forestry

25. The role of the timber sector in the Liberian economy should not be overestimated.[2] At full capacity, estimates based on preliminary timber inventories suggest that logging would produce a maximum $80 million in total revenue, of which $15 million should go to the Government in taxes and fees. It is to be noted, however, that over the past 20 years, less than 15 per cent of taxes and fees due were actually paid to the Government. In addition, it will take time to tender all the concessions and for loggers to achieve maximum production. Thus, over the first three years (table 1), government revenue will increase from an initial $1.8 million, when only nine concessions are operating, to $7 million as an additional 10 concessions are added each year, eventually employing more than 2,000 workers. Not all these workers will be new; most of the pitsawyers are likely to become loggers, as pitsawing is replaced by industrial logging. Under this scenario, the FDA would collect $13 million over the first three years, or $3.3 million more than expenditures.

Table 1
Estimated FDA budget and projected revenue over an initial three-year period, once industrial logging resumes

	Year 1	*Year 2*	*Year 3*
Capital expenditures	$708 000	$212 000	$182 000
Redundancy of FDA staff	$318 000	—	—
Payroll	$1 145 000	$2 442 000	$2 564 000
Administration	$345 000	$309 000	$321 000
Facilities	$194 000	$204 000	$214 000
Operations	$174 000	$181 000	$188 000
Total expenditures	**$2 884 000**	**$3 348 000**	**$3 469 000**
FDA taxes and fees	**$1 801 000**	**$4 196 000**	**$6 960 000**
Total jobs	**872**	**1 433**	**2 172**

26. The Ministry of Finance's budget for 2006/2007 provides only 55 per cent ($1,583,800) of the amount requested by the FDA for year 1. Only half of the necessary capital expenditures are budgeted ($362,000) and only 42 per cent of payroll expenses ($616,000) can be covered. This lack of sufficient funds may seriously undermine attempts to implement the reform measures, including provision of a living wage for FDA staff.

Progress

27. In December 2003, the National Transitional Government conducted a round table of stakeholders that produced a road map of the reforms that they would undertake to have sanctions lifted. Table 2 examines progress after the first five

[2] See, for example, IMF Staff Report for the 2006 Article IV Consultation and Staff-Monitored Program, box 1.

months of the Johnson-Sirleaf administration. Although much progress has been made, especially in drafting the reform measures, implementation is incomplete. Training is under way, but most employees are not performing their jobs. For example, the district offices are not operating. Revenue is being collected from pitsawyers, but the logging is not controlled in any other way. The audit of the FDA is not complete. The draft amendments to the Forestry Law have not been submitted to the legislature. However, the Board of Directors and the Managing Director remain committed to ensuring that the reforms are implemented, including successful passage of legislation and joint military patrols with UNMIL.

Table 2
Reform programmes for the lifting of timber sanctions

Reform programmes	*Description*	*Completed as of May 2006*
Building the capacity of the FDA	Appoint FDA Board of Directors	Yes
	Structure management, adequately compensate staff and provide logistics	Staff salaries are approximately five months in arrears, but the FDA is awaiting confirmation from the audit. Field offices are idle
	Train field technicians and middle-level staff at a later date	Training under way: 164 enforcement officers, 26 chain of custody staff, 12 inventory staff and the administration and accounting staff are being trained
	Prepare the terms of reference and commission an independent oversight committee with a mandate to raise community awareness, supervise and review non-governmental organizations and encourage sustainable forest management	No, but the draft laws and regulations allow for the role of independent monitoring. The FDA has just awarded the Press Union of Liberia a contract to conduct a public awareness campaign about the FRMC
	Request technical assistance for forest and financial management	Yes, LFI since 2004
Improving the sector's transparency and accountability	Commissioning an audit of the FDA	PriceWaterhouse Coopers assisted the FDA in preparing the financial statements; the EC-funded audit is expected to be completed by July
	Establish a system for depositing all forestry revenues in accounts directed by the Ministry of Finance at the Central Bank of Liberia (CBL)	Yes, with GEMAP co-signatory

Reform programme	Description	Completed as of May 2006
	Establish a system for funding FDA accounts with CBL based on budget allocation of quarterly transfer of funds from Government of Liberia accounts based on standing instruction	Yes, Ministry of Finance has budgeted $54,000/month until the new budget starting in July 2006. The new Ministry of Finance budget provides only 55 per cent of the amount requested by the FDA
	Design a system for separate receiving and disbursing of reforestation and conservation fees	Draft legislation ensures that fees are paid to maintain a network of protected areas
	Establish a system of reporting and making information accessible to the public	No, but draft laws and regulations provide for reporting. Conservation International provided Internet access at the FDA office, which should allow the FDA to provide freedom of information through their website
	Set up an independent oversight committee	Board of Directors appointed
Concession review	Recall and review all existing concession agreeme financial assistance nts	Complete — demonstrated widespread non-compliance, and multiple contracts granted to the same concession areas. President Johnson-Sirleaf issued Executive Order No. 1 that declared all concessions to be null and void
	Impose penalties on companies violating sanctions	Pitsawing is widespread and unchecked in the field; however, fees and penalties are being imposed
	Prepare addendum to concession agreements reflecting conservation policies and environmental policies	A draft has been prepared with assistance from LFI
Conduct a forest inventory	Ground-truthing field surveys and maps from Geographic Information Systems (GIS)	FDA technicians, with World Bank assistance, have conducted a basic inventory
	Determine the potential value of forest resources (timber and non-timber forest products)	Center for International Forest Research (CIFOR) providing assistance on community forestry
	Provide information for monitoring, taxation and enforcement	No, but draft laws and regulations are being finalized
Park protection and development	Reconstruction of Sapo Park infrastructure	Yes, illegal miners have been removed from Sapo Park. However, USAID has not initiated its assistance to local communities. Recent reports indicate that illegal gold miners have re-entered the north of Sapo Park

Reform programmes	*Description*	*Completed as of May 2006*
	Provide equipment and materials for park management	Conservation International has built seven new park buildings and provided uniforms guards
	Train and deploy park personnel	Fauna and Flora International and Conservation International are providing p diem for guards; CIVPOL trained 164 enforcement officers, 45 of them have bee deployed to Sapo and Nimba nature reserv but the rest have not been deployed fully
Mobilize technical and financial assistance	Participate in donors' meeting and other promotional activities	Yes
	Discuss bilateral arrangements	Yes, the International Tropical Timber Organization claims $879,000 in arrears

Safeguards

28. President Johnson-Sirleaf should reiterate that the intention of Executive Order No. 1 is that neither commercial logging nor exports occur until the completion of the FRMC reform process. The House and Senate should, likewise, pass supporting legislation.

29. The major consumers of Liberian timber in the past, the EC and China, should agree to purchase only legal timber as verified by the chain of custody contractor. The United Kingdom has requested that the EC codify such an agreement through a voluntary partnership agreement with Liberia and the Ambassador of China to Liberia indicated that if the FDA so requested, China would join such an agreement.

Conclusions and recommendations

30. Sanctions remain effective, but the domestic industry continues illegally. The reforms, including needed laws and regulations, have not been completed and enacted and, therefore, the recommendations of previous Panel reports (S/2003/779, S/2003/937, S/2004/396, S/2004/752, S/2004/955, S/2005/360 and, most recently, S/2005/745) remain valid. However, the new Managing Director has made dramatic improvements, especially that of working with UNMIL military checkpoints to ensure financial control over pitsawing. Further collaboration with UNMIL military observers in conducting joint patrols with the FDA should help introduce control over forest resources by reactivating the field offices.

31. The FDA should continue its cooperation with the LFI and the FRMC to implement fully the agreed upon reform package. The Board of Directors must issue all necessary regulations and the legislature and President must enact all necessary legislation. The EC and China should be encouraged to sign a voluntary partnership agreement with Liberia to ensure that only legal wood enters international trade.

III. Diamonds

32. The Panel continues to enjoy a positive relationship with the Ministry of Lands, Mines and Energy, which, with the arrival of the new Minister, Eugene Shannon, and a United States-sponsored consultant from the Futures Group, is moving towards meeting the requirements of the Security Council with a new enthusiasm. The disbursement by the United States of a 1.4 million dollar funding package for the purpose of achieving Kimberley Process compliancy has significantly increased the pace at which the Ministry is moving towards meeting the necessary objectives for the lifting of sanctions on the export of Liberian rough diamonds. However, there is still much to be done in areas of technical and logistical capability, the implementation of internal controls and reforming procedural frameworks for the export of diamonds. Moreover, illegal mining activity continues unabated, with one large, foreign-owned operation being of particular concern.

Current situation

Funding and contracts

33. A tranche of 1.4 million dollars designated for diamond sector reform was disbursed by the United States in January 2006. A contract for the management of this funding was awarded to the United States-based international consultancy Futures Group, which moved quickly to install a contractor, Tyrone Gaston, at the Ministry of Lands, Mines and Energy to oversee and coordinate project activities.

34. Under the terms of the original personal services contract, Futures Group is to provide the Government of Liberia with the assistance necessary for Liberia to make a successful application to participate in the Kimberley Process Certification Scheme. In particular, Futures Group will:

(a) Assist with the organization and establishment of the structures that are necessary for a credible system of internal control and administration for the diamond sector; assist with the development of a national database that tracks diamond production; source and acquire appropriate and approved Kimberley Process certificates; establish administrative structures to manage the day-to-day affairs of the diamond sector and commercial actors operating within it; provide necessary hardware and vehicles for implementation; and establish and equip an appropriate and secure diamond assaying and recording laboratory;

(b) Perform a general geological survey of domestic diamond production in Liberia in order to establish general baselines of expected levels of diamond production;

(c) Support the organization of cooperative schemes for artisanal alluvial miners;

(d) Coordinate the establishment of a process for the independent valuation of export shipments of rough diamonds for the fair and accurate determination of export duty.

Current status of deliverables

Internal control mechanisms

35. The Ministry of Lands, Mines and Energy and Futures Group have agreed upon a system of internal controls that they believe will be acceptable to the Kimberley Process and that suit the local environment and budgetary constraints. A diagrammatic presentation of this model can be seen in annex II. In essence, diggers take their production to their nearest Ministry regional office where the number, weight and characteristics of the goods are recorded along with the location of the mine. Each digger is then issued with a series of duplicate vouchers containing this information. This production data is then forwarded to the National Diamond Authority in Monrovia. When the diamonds are subsequently sold on to mid-chain buyers/dealers, one of the original duplicate vouchers is again forwarded to the National Diamond Authority to support the provenance of the goods.

36. This process is repeated with each subsequent sale along the chain until the diamonds reach the exporter prior to export. The exporter files a further voucher with his export parcel prior to classification, valuation, the issuance of a Kimberley Process Certificate, the levying of royalties and taxes, the sealing of parcels for exportation, the verification of the exporter's licence and confirmation that all goods within the parcel conform with data contained in regional invoices originating from the Ministry regional offices. Once all these checks have been completed and the National Diamond Authority has a clear record of the movement of goods along the commercial chain, the exporter is legally able to move his goods out of Liberia and on to the international market.

Regional offices: implementation and deployment

37. As reported in document S/2005/745, the Ministry of Lands, Mines and Energy has successfully trained 67 Ministry mineral inspectors and 47 Ministry mining agents. These officials are currently receiving additional training on the new internal controls and have recently been examined to determine the accuracy of their knowledge and understanding of the process. They currently receive a small salary from the Ministry and will be deployed in the near future to 10 Ministry regional offices in Lofa Bridge, Camp Alpha, Kavilahun, Weasua, Kakata, Ganta, Bahn, Saniquellie, Gbapa and Bomi Hills. These outstations will serve as the first stage in the internal control structure and act as centres for receiving, recording and authenticating diamonds produced in mining regions. UNMIL has agreed to provide 10 prefabricated "container offices" which are currently awaiting deployment to the respective locations. Placement of these containers will accelerate this aspect of implementation considerably, particularly given the shortage of appropriate office space in the interior of the country.

38. *Vehicles*. Futures Group has provided the Ministry with two 4x4 Jeeps and 1 pick-up. Six motorcycles for agents and inspectors are currently in-country awaiting deployment.

39. *Kimberley Process certificates*. A certificate prototype has now been designed and is currently in secure storage at the Antwerp Diamond High Council. Printing is expected to be funded by the United States Government.

40. *National Diamond Authority and diamond assaying laboratory*. The external fabric of a new building adjacent to the main building of the Ministry of Lands, Mines and Energy has been largely completed and the new building is now roofed. Futures Group has subcontracted a local company to fit out the interior with an electrical network, air conditioning, secure "air lock" entrance doors, a sophisticated safe with a timer lock, an alarm system for the entire facility, lighting, plumbing and furniture. Furthermore, the company will also provide closed circuit television, steel doors for the laboratory and a security post. The company is contracted to complete this work by the end of June 2006, although the Panel believes the work may take a little longer. Advice on security features was provided by a visiting expert from the international diamond company De Beers. Assaying equipment, including scales, loupes, lamps and other equipment was provided by the US Geological Survey in mid-April 2006. This equipment will be installed once refurbishment of the laboratory has been completed. Further equipment is still required and its supply is currently being organized with the assistance of De Beers.

41. *Production estimates*. Under the terms of the Futures Group contract, a United States geologist with extensive experience of Liberian geology conducted a two-week assessment of diamond and other mineral production capacities in late April 2006. A draft report has been completed and the delivery of a final report is expected by the beginning of June 2006.

42. *Licensing*. The Bureau of Mines, a sub-organ of the Ministry of Lands, Mines and Energy, has established a licensing mechanism for artisanal miners and dealers. The cost of the respective licenses has yet to be determined, but agreement on the issue is expected in the near future. The Panel has learned that bogus mining licences are being issued to diggers by unscrupulous local officials. This needs to be addressed immediately by the Ministry.

43. *Diamond valuation*. The international diamond company De Beers has agreed to provide training for three ministerial internal valuation staff. This training in the valuation of diamond parcels for export will be extensive and will take place either in London or in South Africa in the next three months. The Dubai Diamond Exchange has also offered to train a further two internal valuation staff, bringing the total to five, which will be entirely adequate for the volumes of production that the National Diamond Authority is likely to handle.

44. Arrangements for external, independent valuations have yet to be made. While one company has expressed an interest, no formal invitation for bids has been issued by the Government of Liberia. An alternative to the commercial independent valuation sector may be assistance from the World Diamond Council, which could provide specialists on secondment from member countries and companies at short notice to perform this function, which will be critical for the maintenance of exporter confidence.

45. *Cooperative organization*. Under the umbrella of a new "Diamonds for development" scheme, UNDP has undertaken pilot initiatives to assist Liberia with the creation of conditions for the sustainable use of mineral resources to overcome poverty and promote human development. The overall objective of the programme is to facilitate the establishment of a transparent and accountable revenue management system based on a fair and equitable distribution of revenues. Interventions will be implemented on three levels, the grassroots/micro level, the macro/policy level and the regional level. It is hoped that these interventions will

complement the Kimberley Process Certification Scheme in a developmental capacity. Provisional proposals suggest that a small proportion of the duty levied by the Government on exported diamonds may be used as "seed corn" funding for local initiatives.

46. At the local level, the aim is to induce more diamond revenues to flow back into the community. This will be achieved by empowering individual miners via the creation of cooperatives, while at the same time developing local development funds managed by local governance structures. At the macro or policy level the missing legal and technical tools for the sustainable management of the revenues from mineral resources will be developed.

47. *Regional conference.* Parallel to the national initiatives, a regional development approach will also be taken. An international conference bringing together States in the region, international development agencies, non-governmental organizations and industry actors will be held from 28 to 30 June 2006 in Monrovia. The conference will aim to promote a dialogue on the harmonization of policies; industry and market security; coordinating and monitoring responsibilities; and the standardization of the diamond market in the region.

48. *Kimberley Process expert mission.* The Kimberley Process is sending an expert mission to Liberia from 22 to 28 May 2006. The mission will be led by Jacob Thamage of Botswana, which currently acts as Chair of the Kimberley Process. Mr. Thamage will be accompanied by representatives of the World Diamond Council, the Antwerp Diamond High Council, the US Geological Survey, the Canadian Department for Foreign Affairs and International Trade and the non-governmental organization Global Witness. The Panel expects that the findings of the mission will be available by the end of May.

49. *GEMAP.* The Governance and Economic Management Assistance Programme (GEMAP) agreed by the National Transitional Government and its international partners last year was designed to introduce a more robust approach to economic governance in Liberia. GEMAP was developed to help improve the financial and fiscal administration, transparency and accountability. The main components of the programme are: financial management and accountability, improving budgeting and expenditure management; improving procurement practices and the granting of concessions; establishing effective processes to control corruption; supporting key institutions; and capacity-building.

50. The internationally recruited concessions expert for GEMAP, Godwin Nyelo of Tanzania, has now arrived in Liberia. He will work directly with the Ministry of Lands, Mines and Energy and the Contracts and Monopolies Commission (in future the Procurement and Concessions Commission) for two years on the development for competition of all new or amended contracts and concessions for exploration or mining of mineral and energy resources. The concessions expert will help to ensure that the contracts and concessions review process is conducted rapidly, transparently and in conformity with internationally accepted best practice.

51. Moreover, the concessions expert will exercise binding co-signatory authority for approval of all new or amended contracts and concessions, except for Class C artisanal mining licences, which are within the statutory mandate of the Ministry for Lands, Mines and Energy. Lack of the expert's signature on the relevant documentation will mean that the transaction is invalid. All concessions and

contracts will be determined to be in conformity with international practice, be brought into conformity as rapidly as possible or be rescinded.

52. The concessions expert will also generally assist the Ministry of Lands, Mines and Energy with related tasks such as:

- Budgetary reporting to support the needs of the Ministry, the Bureau of the Budget, the Ministry of Finance and IMF;
- Ensuring that these reports are regularly transmitted to the Ministry of Finance and the Bureau of the Budget;
- Improving the transparency of accounting systems, with special emphasis on revenue collection and management;
- Assisting with the development of legislative proposals (and any necessary follow-up guidance materials) to strengthen the existing mining law and the legal and regulatory framework for petroleum exploration and production.

53. In connection with the above responsibilities, the concessions expert may enlist short-term technical assistance, as needed and as available, to address the most urgent issues identified during the participatory strategic planning within the Ministry of Lands, Mines and Energy. The concessions expert will, in order to ensure coherent technical and policy coordination, be required to report to and work closely with the GEMAP technical team as well as the Economic Governance and Steering Committee.

Current patterns of mining activity

54. Although the 14 January 2005 suspension of the issuance of all licences and permits for diamond mining continues, a lack of government capacity and the absence of a clear mandate of interdiction for UNMIL have hampered efforts to curb illegal digging in the interior.

55. With the assistance of UNMIL, the Panel was able to conduct extensive aerial surveys of mining areas in Nimba County, Sinoe County and the Upper and Lower Lofa River regions in March, April and May 2006. Mining activity at the Class B semi-mechanized and Class C artisanal levels has steadily increased during the dry season, particularly along the Lofa River and in the vicinity of the Butaw Oil Palm Corporation site in Sinoe County (see S/2005/745, para. 40). A clear pattern of mine site resettlement is emerging as confidence in the economy and internal security grows. The sizeable Class B Gbapa, Nimba County, site that the Panel has monitored for some time is also in the process of being reopened.

56. At the Class A industrial level, the Panel is very concerned by the recommencement of operations by American Mining Associates, but is pleased to report that Italgems (see S/2005/745, para. 48), situated on the Lower Lofa has ceased gravel extraction and processing.

Key sites

57. *Butaw Oil Palm Corporation.* The artisanal diamond rush at the Butaw Oil Palm Corporation site (latitude 05°14.8 north, longitude 09°11.7 west) continues with a new settlement camp established in late April 2006. While the quality of diamonds originating from this area is generally accepted to be poor, with an

average price of between 25 and 35 dollars per carat reports suggest that some high grade "fancy" coloured stones have been discovered in the region. Such stones carry a significant price premium on the international market and their presence may go some way to explain the return of diggers in the wake of last year's cholera epidemic. Aside from the flagrant disregard of diggers for the current mining moratorium, the Panel remains very concerned by the public health issues arising from the presence of such a dense population in an area with extremely limited water and sanitation facilities. A further cholera outbreak at this location, which now hosts over 15,000 diggers and their dependants, cannot be discounted.

58. *American Mining Associates*. The Panel continues to overfly the operational area of American Mining Associates in the Kumgbor forest region of Lofa County (latitude 07°38.17 north, longitude 10°34.29 west), close to the Moro River and the border of Liberia with Sierra Leone. While earlier this year it appeared that work had largely ceased, the Panel regrets to report that over the past six weeks operations have recommenced on an unprecedented scale. A large area of ground has been dug with the use of heavy earthmoving equipment and the company has deployed highly specialized washing, separation and concentration plant to the area. Much of this equipment appears to be new and represents significant capital investment of perhaps 2 to 3 million dollars (see annex III). Furthermore, accommodation camps for workers have been expanded. The Panel recommends that the Ministry of Lands, Mines and Energy move immediately to request from the management of American Mining Associates a full explanation of the company's activities supported by an examination of the company's current licence status.

59. *Italgems*. The Panel visited the Italgems site (latitude 06°56.5 north, longitude 10°56.4 west) in late March 2006 after conducting a series of overflights and observing gravel washing in progress. Italgems had excavated a large amount of gravel late last year during an extensive and complex damming, exploration and trenching programme. The large volume of gravel presented security and logistical problems for both the company and the Ministry of Lands, Mines and Energy. In this context, the company was granted permission by the Ministry to wash the gravel on the understanding that any diamond production would be stored in a sealed container at the Monrovia branch of Global Bank until such time as sanctions on the export of rough diamonds from Liberia were lifted (see S/2005/745, para. 50, for details of this arrangement).

60. The mine manager was able to inform the Panel that by late March 2006, some 60 carats of diamonds had been recovered from the gravel and was in safe keeping at Global Bank. This was confirmed to the Panel by the Ministry of Lands, Mines and Energy. By mid-April 2006, the company had completed the washing of its stock of gravel. At this point, the Ministry instructed Italgems to cease operations, which the company duly did. At present, there is no mining activity at the Italgems site. Aside from the pressure from the Ministry, the Panel believes that without the ability to export production, Italgems was no longer able to meet its day-to-day running costs.

Mining regions

61. *Nimba County*. The Jungle Waters mine in close proximity to Gbapa (see S/2005/745, para. 42) is being reopened. During overflights in mid-May 2006, the Panel observed fresh pits and trenches and a quantity of gravel awaiting processing.

The Panel recommends that the Ministry of Lands, Mines and Energy request an explanation from the mine's owners with regard to these activities.

62. *Upper and Lower Lofa River*. Along the course of the Upper and Lower Lofa River, Class B and C mining is steadily increasing. The Panel has monitored a broad range of mining activity, from small artisanal "bucket and spade" operations to more sophisticated semi-mechanized Class B workings. Furthermore, pontoon based airlift pumps are increasingly common (see previous reports). The Panel stresses that without interdiction by UNMIL or the national authorities, the levels of illegal mining in remote regions of the bush will increase.

Illegal diamond trading

63. Illicit diamond-buying offices continue to operate in Monrovia and provincial towns, from which diamonds are exported abroad in contravention of the current United Nations embargo. The Panel is aware that buyers from Europe and the Middle East have been visiting Monrovia over the past six months to purchase local production. Typically, these individuals will operate from private residences and hotels, buying uncertificated goods at well below their market value. The goods will then be exported directly to international manufacturing centres and polished, or will pass through neighbouring countries where they may acquire Kimberley Process certification and be traded within the legitimate international rough market.

64. The Panel continues to recommend vigilance on the part of the Governments of Sierra Leone and Guinea in particular. The Panel is aware that much of Liberia's illicit alluvial production is sold to dealers and exporters in the provincial buying centres of those countries. The Panel estimates current Liberian production to be in the region of $1.2 million to $1.5 million per month, a volume which falls broadly in line with expectations. With the onset of the rains, the Panel expects this volume to decrease as the water tables begin to rise.

Recommendations

65. While most of the components for a credible, internationally accredited certification scheme are now available, the harmonization of these components into a functioning mechanism is still some months off. The Panel recommends that the international community continue to support the Government of Liberia in its efforts to meet the requirements of the United Nations Security Council and the Kimberley Process. The Panel emphasizes that maintenance of momentum at this stage of implementation is critical if Liberia is to make a successful application for participation in the Kimberley Process scheme.

66. The Panel recommends that UNMIL be given a mandate to assist the Ministry of Lands, Mines and Energy with the regularization and control of the diamond sector, particularly with regard to the recording of mine locations in preparation for a comprehensive licensing scheme. Aerial and personnel assistance would be invaluable for this endeavour.

67. The Panel strongly recommends that appropriate humanitarian action be taken as soon as possible in the Butaw Oil Palm Corporation area to avert a potential public health crisis.

IV. Finance

68. The misappropriation of government revenues and their use in financing conflict was one of the major reasons for establishing sanctions on diamonds and timber. The Security Council wants to ensure that revenue is "used for legitimate purposes for the benefit of the Liberian people, including development" (resolution 1521 (2003), para. 11). Thus, good governance and the stability of government finances are critical to the lifting of sanctions.

69. The newly elected government of President Johnson-Sirleaf is striving to move Liberia away from the long-standing policies of corruption and misuse of government resources. This is a laudable goal that will, in the President's own words, be a difficult and long-term job. She began this job by identifying people to fill key positions who share her belief in a transparent and honest government. One of her first requirements was that appointees publish, in local newspapers, financial statements listing their assets. She also threatened prosecution if their government positions are misused for financial gain. This highly unusual requirement was well received by the public and the international community.

70. Although significant progress has been made, the jury remains out on whether all revenues earned will actually go to the good of the Liberian people. Immediately after the inauguration, the Government launched a 150-day National Action Plan (February-30 June 2006) for, inter alia, rebuilding infrastructure, providing basic services and revitalizing the Liberian economy under GEMAP. Unlike previous leaders', President Johnson-Sirleaf's office is following the general rules of accountability in spending. The Minister of Finance is also setting an example by foregoing personal claims.

71. The strong signals sent by the President and her ministers are having an impact. The businessmen and other taxpayers who had virtually stalled their payment of taxes in the latter part of the National Transitional Government of Liberia period have started making payments, causing government revenues to begin to increase. Further, the Ministry of Finance has been trying to enforce taxation laws on the payments made to legislators. However, a series of heated exchanges between the executive and the legislature in April and the issuance of an arrest warrant by the Senate against the Acting Minister of Finance (see para. 26, above) indicates that the path to such enforcement is not yet clear.

72. Under GEMAP, seven international finance controllers have joined important Ministries and State-owned enterprises (the Ministry of Finance, Central Bank of Liberia, the Liberia Petroleum Refining Corporation, the National Port Authority, the Robertsfield International Airport, the Bureau of Maritime Affairs, the Ministry of Lands, Mines and Energy and the Forest Development Authority (FDA)). The Public Procurement and Concessions Commission and the international partners have begun to review contracts signed under the National Transitional Government of Liberia to ensure they comply with the rule of law. They are starting with the largest contracts and the entire process is expected to be completed by October. The United Kingdom Department for International Development (DFID) and UNDP have produced anti-corruption reports that the Governance Reform Commission is using to develop an anti-corruption strategy, with assistance from the EC. The President has demanded audits of all ministries and State-owned enterprises. They have begun at the FDA only, but will be launched shortly at the Liberia Petroleum

Refining Corporation and CBL, and are being considered at the National Port Authority (NPA) and Robertsfield International Airport. This lack of progress is despite the President's threat that no minister or managing director would be able to travel from Liberia until their audits were completed. However, the former Minister of Finance, for example, was recently in Lebanon despite the President's travel ban.

Recast of the Government's budget

73. The recast budget provides for revenue collections of $38.853 million during the period February to June 2006, compared to revenue collections of $38.996 million during the same period in 2005. In the first two months (February-March), $18.007 million was collected, which is 33 per cent higher than the total revenue collections in the last quarter of 2005. Part of the increase was due to the January 2006 transmittal by the Liberian International Ship and Corporate Registry (LISCR) of $1,862,762 in maritime fees from November-December 2005 that had been withheld based on a written request of the then President-elect in late November 2005.

74. The recast budget provides for an allotment of $1.957 million for 150-day priority spending. Among the major departments, the following received higher allotments than in the National Transitional Governments 2005-2006 budget: Ministry of Justice, 9.94 per cent more than in the original National Transitional Government budget; Legislature, 7.32 per cent; Ministry of Public Works, 2.56 per cent.

75. Repayment of domestic debt including salary arrears is also a priority for the new Government as one fifth of the recast budget has been earmarked for it. The Health and Education Ministries received similar provisions in the recast budget, while the provisions for the Ministries of Defence, Presidential Affairs and Finance, as well as the Bureau of the Budget, were reduced.

Revenue collection

76. The revenue collection of the NTGL showed a robust increase of 12.5 per cent in 2005 over the previous year (table 3), primarily due to sound GDP growth (5.3 per cent), increased custom duties as a result of UNMIL assuming control of security at the Freeport in Monrovia, which began in April 2005, and the restoration of peace and security throughout the country. Revenue collection would have gone up further, except for the withholding of revenue by taxpayers in the last four months of the National Transitional Government, once the election process started. They have now begun to pay these back taxes to the new government.

77. In 2005, though income/corporate taxes had substantial growth of 35 per cent, maritime revenue fell sharply, by more than 25 per cent, although in part due to the withholding of revenues by LISCR for the incoming government.

Table 3
Revenue collection in the period 2004-2006
(Millions of dollars)

Revenue sources	*2004*	*2005*	*2006 (Jan-March)*
Customs and excise	25 403	27 973	9 015
Maritime	12 765	8 794	4 905
Petroleum import and sales tax levy	4 134	3 281	1 177
Income/corporate tax (including other taxes)	26 105	36 858	11 111
Grants/loans	1 000	4 000	—
Total	**69 407**	**80 906**	**26 208**

Source: Data from CBL, see annex IV.

Customs duties

78. Customs duties constituted the most important source of revenue for the National Transitional Government. At present, customs duties are collected almost entirely at the Monrovia Freeport of the NPA and at Robertsfield International Airport.

79. The new Government, through BIVAC, commenced the pre-shipment inspection of petroleum products and rice in January 2006. It is, therefore, likely that the leakages of revenues (see S/2005/360, paras. 154-163 and S/2005/745, paras. 97-99) may soon be dramatically reduced.

Maritime affairs

80. The Liberian International Ship and Corporate Registry, LLC (LISCR) continues to be an important source of revenue for the Government of Liberia, though the Ministry of Finance reported that income has dropped (table 3, annex IV). In fact, 2005 had the lowest revenue reported as deposited into government accounts since LISCR took over the registry in 2000.

81. LISCR stated that it transmitted $8.604 million to the National Transitional Government in 2005. The additional $1,862,762 that the President-elect had requested to be withheld has since been paid to the Government of Liberia during January/February 2006. LISCR, therefore, claimed that they had effectively distributed $11,439,756 for 2005, which is more than the distribution of $11,148,627 made in 2004. In 2005 LISCR also withheld $210,000 for audit expenses and $762,864 for "transitional expenses" — partial reimbursement of the $2,747,000 spent by LISCR, LLC during 1999, on behalf of the Government of Liberia, to get the Registry operating and separated from IRI, the previous agent, as stipulated in section VII of the agreement between the Government of Liberia and LISCR (annex V). LISCR further claimed that $652,957 in transitional expenses was still owed as of 31 December 2005.

82. When LISCR were contacted concerning whether they had obtained approval from the Commissioner of the Bureau of Maritime Affairs (BMA) before withholding the funds in 2005, they clarified that they had withheld $762,864 as transitional expenses in 2005, with the concurrence of the then Deputy Commissioner for Financial Affairs and Maritime Controller, Garrison F. Togba. The withholding of transitional expenses has continued in 2006 on the basis of the "2006 operation budget for the Registry" as submitted to the BMA through its current Maritime Controller, Emmanuel N. Reeves, Sr.

83. The Panel's previous report (S/2005/360, para. 165) also highlighted the inability to reconcile the different reports of income from LISCR to the National Transitional Government as reported by LISCR, the BMA and the Ministry of Finance. However, in November 2005, the National Transitional Government awarded a $210,000 contract to Moore Stephens to audit LISCR for the years 2001-2004. It is to be noted that this represents a conflict of interest, because Moore Stephens conducted the system audit of the BMA on behalf of the European Commission.

Auditor General's Office

84. Traditionally, the role of government oversight is partially the responsibility of an independent General Auditing Office (GAO). Its functioning, however, has been crippled over the years, largely owing to lack of resources and trained manpower. Most of the ministries, departments and agencies have not been audited for several years. There is no continuity in the audit of a ministry, department or agency from year to year. Further, the Executive does not act appropriately on its findings.

85. In one of the first GAO reports submitted to the new President, the Auditor General documented that 132 vehicles purchased by the National Transitional Government valued at $2.75 million had not been returned. In all, the National Transitional Government spent $11.6 million on the purchase of 552 vehicles. The GAO found that many government employees acted as vendors although they were not registered as vehicle dealers. The audit further reported that $22,560 was paid to a supplier in December 2003 but no vehicle was ever supplied. In other cases, the GAO could not trace vendors to whom payments were made for the supply of vehicles.

86. Unfortunately, the recast budget slashed the GAO budget to one third. As a result, the functioning of the office has been badly affected. The European Commission will provide technical assistance under GEMAP, but the appointment has not been made.

87. The new Government assured the nation that it would have all ministries, departments and agencies audited for the National Transitional Government period expeditiously. Until the audit was completed, the concerned heads of National Transitional Government ministries, departments and agencies were supposed to obtain prior permission from the Government before undertaking foreign travel. However, the audit exercise has not yet been initiated, except at FDA.

Sale of iron ore

88. The audit of the sale of the abandoned iron ore in Buchanan represents an example of how the role of the GAO has been undermined by previous

governments. Previous reports (S/2005/360, para. 172; S/2005/745, paras. 103-105) documented irregularities in the sale of iron ore by the National Transitional Government, which led the National Transitional Assembly to issue a threat of impeachment against the Chairman of the National Transitional Government. In order to overcome the mounting criticism, the Chairman had the Auditor General issue a report clearing the National Transitional Government of any wrongdoing.

89. The GAO did so without examining any of the usual evidence, such as the records of competitive bidding, a comparison of the international prices of iron ore prevailing at that time, relevant records like flag receipts for payments, receipts for payments made to contractors' employees, National Port Authority (NPA) receipts, and the physical existence of several vehicles ($111,700), laptops ($5,000-$4,450 each), typewriters ($3,105-$3,140 each), calculators ($3,900) and other equipment that LIMINCO claims to have purchased with its portion of the proceeds ($3 million). There is good reason to question all of the transactions. For example, LIMINCO claims to have paid $400,000 in port charges, but the NPA authorities adamantly deny having received any payment.

90. The Auditor General explained that senior figures in the executive of the NTGL exerted tremendous pressure for an unqualified audit report to be issued. They had assured him that the audit report would not be made public. In order to substantiate his claim, he pointed out that the date of the letter (28 October 2005) from the Deputy Minister of Finance acknowledging the receipt of $2,039 million on behalf of the National Transitional Government was the same date as that on which the audit report itself was issued. He stated that that letter was given to him at the last minute to facilitate the submission of the audit report. He stated that he had even told the NTGL Chairman that no purpose would be served by issuing such an audit certificate as nobody would accept it as credible because no documentary evidence had been submitted by the concerned authorities for verification.

91. It was also not clear why a certificate of government revenue receipt was issued by the Deputy Minister of Administration of the Ministry of Finance on behalf of the Minister of Finance instead of submission of the actual flag receipts issued by the Central Bank of Liberia. In this connection, the Panel requested the present Deputy Minister of Administration of the Ministry of Lands, Mines and Energy to confirm the statement of expenses given by LIMINCO and that the transfer of expensive vehicles and equipment purported to have been purchased by LIMINCO to the new Ministry management occurred in early May, but he expressed his inability to make any confirmation in the absence of information/files pertaining to the use of the proceeds of the iron ore sale. He assured the Panel, however, that he was taking steps to obtain the relevant information from all senior managers of LIMINCO.

92. Without strong oversight and accountability mechanisms, further loss of government revenue should be expected. The following cases document such loss during the NTGL period.

Liberia Petroleum Refining Corporation

93. With the restoration of peace, gross LPRC turnover of petroleum products has jumped significantly, from 21 million gallons in 2003 to over 50 million gallons in 2005. Its revenue reached $8.5 million in 2005, but due to a two-fold increase in manpower during the National Transitional Government period, LPRC barely

managed to earn a profit of $158,000. However, financial statements for 2004 and 2005 have not been audited. Ernst and Young, the EC-appointed auditors that conducted a system and financial audit in September-November 2004, declined to express an opinion on the financial statements owing to the lack of supporting documents and information.

94. Through lucrative separation packages, the new management acted swiftly to reduce the bloated manpower by nearly 400 employees, out of 750. In April 2006, they also terminated a $12 million contract signed by the previous management with a Lebanese firm, Mechanical Engineering Group (MEG) SAL (Offshore) for a turnkey project comprising, inter alia, provision for ship-to-shore connections and the construction of two fuel storage tanks. The contract was signed after the elections in October 2005 and under less than fair and transparent tendering procedures. MEG SAL (Offshore) was registered in Beirut (see annex VI) as a company on 11 October 2005 with an equity base of $20,000 and as Chairman of the Board of Directors, Jamal A. H. Basma.

Missing LPRC storage charges

95. A review of the unaudited 2005 financial statements of LPRC indicates that West Oil had not paid $2.5 million in storage, handling and tank maintenance charges (based on 30 cents per gallon of diesel and 10 cents per gallon of gasoline as set in their 1 January 2005 petroleum importation agreement with LPRC). LPRC claimed that this was incorrect because LPRC was ignoring the 2005 contract and was allowing West Oil to continue operating under the terms of a contract signed in July 2004 for exclusive use of LPRC tanks 1 and 7, which had dramatically lower charges (only 16 cents per gallon of diesel and 6 cents per gallon of gasoline, plus a lump sum annual rental payment of $435,900). The LPRC comptroller claimed that the West Oil arrangement was made so that UNMIL would have exclusive use of tanks for storage. However, he could not explain why the rate was fixed at the dramatically lower rate of 16/6 cents. It is to be noted that West Oil is the largest importer of petroleum (see table 4) and that all other importers continued to pay the full rate of 30/10 cents storage charges.

96. Even at the lower rates, West Oil has still not paid $1.683 million to LPRC for storage charges in 2005. Further, even though the ostensible reason for lower storage fees was the exclusive use by UNMIL of the two tanks, West Oil still paid only the lower rates for all its customers, even those that used other tanks. Likewise, despite paying the lower rates, West Oil nevertheless appears to have charged its customers the full storage fee of 30/10 cents.

Table 4
Petroleum imports from 1 January to 31 December 2005

Importer	*Quantities imported*		*Import duty/sales tax payable ($)*
	Gasoline (gallons)	*Diesel (gallons)*	
West Oil[a]	8 534 492	9 434 116	7 614 167
MOTC	5 569 405	3 910 001	4 070 222
Aminata	2 030 361	1 057 261	1 336 566
Origin	1 906 257	1 074 694	1 287 694

Importer	Quantities imported		Import duty/sales tax payable ($)
	Gasoline (gallons)	Diesel (gallons)	
Srimex	688 221	1 074 694	739 577
Total	**18 728 736**	**16 550 766**	**15 048 226**

Source: LPRC data.

[a] Excluding supplies provided to UNMIL (186,363.48 gallons of gasoline and 9,059,002.64 gallons of diesel).

Low import duty receipts from petroleum importers

97. Excluding UNMIL fuel imports, which are tax free, LPRC reported that 18,728,736 gallons of gasoline and 16,550,766 gallons of diesel were imported between January and December 2005 (table 4). Given that for each gallon of diesel and gasoline, an importer has to pay 20 and 25 cents, respectively, as import duty and 20 cents as sales tax, the total import duty and sales tax due the NTGL was $15.048 million. However, the Ministry of Finance reports that only $3.447 million has been paid. Even excluding waiver of the customs/sales tax ($3,223,301) of duty-free entities (such as embassies, NGOs, charities) in 2005, there is a shortfall of at least $8.378 million in import duties and sales tax paid to the Government of Liberia. However, this is likely to be an underestimation, as the government revenue figure ($3.447 million) includes duties and taxes paid for all petroleum products, including kerosene, liquid propane gas and jet fuel, and not just diesel and gasoline.

Off-budget adjustments/bartering of government revenues

98. The Monrovia Oil Transport Corporation (MOTC) stated that it supplied petroleum products valued at $1.4 million to the Executive Mansion during 2005, for which it received flag receipts and an adjustment of $1.1 million against the past debt owed by the Government of $2.732 million. Other importers were requested through LPRC to furnish such information but none of them responded before the Panel left Liberia. It appears that such fuel provided directly to the Executive Mansion did not go through the normal budgetary channels and thus was not reflected as government revenue nor expenditure, even though the importer was allowed to deduct the charges from their tax bill.

Misappropriation of revenues as dividend/contribution to NTGL

99. In a previous report (S/2005/360, para. 153), numerous instances were cited of LPRC having been instructed to release funds to specific authorities without routing the funds through budgetary provisions or the Ministry of Finance. For example, the National Transitional Assembly had directed the National Transitional Government to keep a contribution of $500,000 each from LPRC and NPA in the 2005-2006 budget so that these funds could enter the budgetary system.

100. However, the Panel was informed that, in violation of the budgetary procedure, LPRC paid $100,000 to the Chairman of the National Transitional Government on 12 January 2006 for his travel to Niger to attend an Economic Community of West African States (ECOWAS) meeting. LPRC also claimed that $300,000 was paid to the Chairman on four other occasions in 2005 for domestic and foreign trips. This was in excess of the existing budgetary provision of $0.879 million in 2004-2005

and $0.549 million in 2005-2006 for foreign travel and $0.164 million in 2004-2005 and $0.149 million in 2005-2006 for domestic travel.

101. The Ministry of Finance confirms that there is no system of monitoring such advances. Accounts of these funds or other advances taken by the office of the Chairman were never furnished nor were any balances refunded. Additionally, LPRC stated that funds had been provided to the Executive Mansion and the vice-chairman's office for the purchase of vehicles during the transitional period. It is not known how many were purchased nor whether these vehicles have since been returned to the General Service Agency or the new Government.

Missing port charges

102. For all petroleum products, 2 cents per gallon are charged for port fees. For 2005, importers were required to pay $1.020 million to the NPA, but only $190,477 has been paid by the five importers. Notwithstanding this shortfall, NPA revenue shot up by 25 per cent to $12.680 million in 2005 and profits trebled to $2.041 million, despite huge increases in manpower, from 600 to 2,000 employees, during the period of the National Transitional Government. Nearly two thirds of all spending ($8.4 million) was on wages, salaries and employees' benefits.

103. Hefty fees paid to the Board of Directors amounted to $306,000 in 2005 but fiduciary responsibilities of ensuring the audit of financial statements of the NPA were not rendered. The Grand Cherokee vehicles have been retrieved from the outgoing Managing Director, three Deputy Managing Directors and the Comptroller, however, none of the 10 generators (valued at $157,500) given to these officials have been returned. Additionally, the former Managing Director, Deputy Managing Directors, and comptroller still retain their cars (Honda Accord, Ford Escort Sedan, Hyundai, Mitsubishi Mirage), even though they left their posts nearly three months ago.

Non-payment of customs duties/goods and services tax by rice importers

104. In previous reports (S/2005/360, para. 162-63; S/2005/745, para. 97), non-payment/short payment by rice importers of $6 million in customs duties and goods and services tax was documented for 2004 and 2005. The National Transitional Government did not take any action to recover these dues. When the matter was brought to the attention of the new Minister of Commerce, she said that all possible efforts would be made to recover the arrears of import duties and goods and services tax from the rice importers.

Misappropriation of pre-shipment inspection fees

105. In 2004, during the liquidation of BIVAC's Tradevco bank accounts, $278,105 in pre-shipment inspection fees from 2003 were deposited in a bank account in Zurich, without any payments to the National Transitional Government for its share of the fees (S/2005/745, para. 95). BIVAC initially claimed that the money was its because it had previously overpaid taxes. BIVAC now admits that it does not possess the necessary records/documents to back up this claim and has, therefore, agreed to refund the government share of pre-shipment inspection fees. However, without records, it will be difficult to determine how much BIVAC is entitled to keep.

Government expenditure under the 2005-2006 budget

106. In the last quarter of 2005, the National Transitional Government of Liberia was constrained by the low flow of government revenues. As a result, it was forced to slow down its spending. In spite of such constraints, the National Transitional Government of Liberia spent more on "Goods and services" than on "Personnel expenditure". Goods and services attracted 35 per cent of the total government spending, as against the budgeted allocation of 25 per cent. In contrast, actual spending on salaries and wages was much lower than the budgetary provision (31 per cent as against 39 per cent).

107. The following are the percentages of the total yearly allocations spent in the six-month period July 2005-January 2006:

Ministry or agency	Percentage
Presidential Affairs	69
Vice-Chairman's office	81
Legislature	72
Ministry of Finance	72
General Service Agency	95
Ministry of Education	35
Ministry of Health	30

Conclusions and recommendations

108. The financial picture in Liberia is improving since the newly elected Government took over. The Government has begun addressing some of the previous shortfalls in revenue and overstated, or false, expenditures, but there needs to be continued vigilance to improve the overall transparency of all financial activities to ensure that any lifting of sanctions will provide revenues directly to the Government for the benefit of Liberians and not be used to support conflict.

109. The following recommended actions should be undertaken:

- All donations/contributions made by all State-owned enterprises to functionaries of the National Transitional Government of Liberia should be investigated to see that they have been used for the appropriate purposes, and all balance amounts, vehicles and equipment have been properly transferred to the new Government. This can be done through the audits that President Johnson-Sirleaf has proposed for all State-owned enterprises.
- LPRC should make a reconciliation quarterly of actual payments made by the importers to various agencies so that the actual payments are reflected when the prices of petroleum products for public consumption are determined.
- The payment of import duties and goods and services tax by rice importers should be audited by the General Auditing Office (GAO), and a report should be submitted within three months.
- The Government should enter into a dialogue with LISCR to take appropriate steps to restore the government revenues back to the 1997-2000 level.

- GAO should conduct a new audit of LIMINCO to establish the factual position and to undo the harm the previous report inflicted on the credibility of the office of the Auditor General.

- GAO should be strengthened and provided with adequate infrastructure and qualified manpower so that it can perform its onerous responsibilities. The office should also conduct the audit of the accounts of all important ministries/departments and major revenue-generating parastatal entities annually.

V. Assets freeze

110. Two years after the Security Council passed resolution 1532 (2004) concerning the assets freeze, the Government of Liberia has still not frozen anyone's assets. In October 2004, the Minister of Justice of the National Transitional Government attempted to freeze the assets of Benoni Urey and Emmanuel Shaw II, but in September 2005, the Supreme Court ruled that the Minister had not followed due process. The Minister had promised to file a proper petition to freeze the assets, but this action was never taken before he left office in February 2006.

111. The new Minister believes that Liberia needs legislation for the implementation of Security Council resolutions, especially the assets freeze, as Liberians have a constitutionally protected right to property. Given that four members of the House of Representatives and the Senate are on the travel ban and the assets freeze lists, the Minister admitted that it would be difficult for the Legislature to pass such a bill. Further, in a press release in April 2006, Charles Taylor's National Patriotic Party warned that the country would plunge into chaos if the Government tried to freeze the assets of certain individuals. Nonetheless, the Minister of Justice has sought the help of UNMIL in the preparation of implementing legislation.

112. Although no action has been taken to freeze any assets, the Government of Liberia has identified the following bank accounts of persons designated on the assets freeze list:

Table 5
Details of bank accounts of persons designated on the assets freeze list identified in Liberia

Name	*Bank*	*Account number*	*Balance*		*Status*
			United States dollars	*Liberian dollars*	
Charles G. Taylor	Tradevco	158XX	5,000.00		Unpaid
	LBDI	02210232XXXXX			Closed
Jewel Howard Taylor	IBLL	05000XXXXX			Closed
Edwin M. Snowe	LBDI	01401117XXXXX		69,983.92	Dormant
Charles A. Bright	LBDI	01212111XXXXX		20,937.90	Dormant
	LBDI	02401232XXXXX	68.20		Dormant
	Tradevco	99XXX	26,253.02		Paid

Name	Bank	Account number	Balance		Status
			United States dollars	Liberian dollars	
Chief Cyril Allen	LBDI	01210101XXXXX		975.00	Active
	Ecobank	104100066XXXXX	185.48		Active
	Ecobank	104100066XXXXX		6,268.70	Active
Benoni W. Urey	Ecobank	104100037XXXXX	-4,164.70		Overdraft
Emmanuel L. Shaw II	Ecobank	104000015XXXXX	1,161.67		Active
Randolph Cooper	LBDI	02431360XXXXX	18.36		Dormant
Myrtle F. Gibson	Ecobank	104100305XXXXX	48.00		
	Tradevco	107XXXXX		200.00	Unpaid
Joseph Wong	Ecobank	2 accounts			Closed
Charles (Chuckie) Taylor, Jr.	Ecobank				Closed
Gus Kouwenhoven	Ecobank				Closed

113. The previous Panel report (S/2005/360, para. 186) indicated that Benoni Urey and Emmanuel L. Shaw II represented PLC Investment Ltd (PLC) on the Board of Directors of Lonestar Communications Corporation. They have now been replaced. However, in 2005, Lonestar earned profits of $4.479 million and paid dividends of $3 million to its two shareholders, of which PLC received $1.2 million. In addition, PLC should have received $1.08 million as its share (10 per cent) of the revenues of Lonestar. Ministry of Finance records do not indicate that PLC is among the "large taxpayers" that have paid more than $1,000 in income tax.

114. Two individuals on the assets freeze list became duly elected members of the National Legislature in the October 2005 elections. Edwin M. Snowe is a member of the House of Representatives and is the Speaker of the House, and Jewel Howard Taylor is the senior senator from Bong County in the Senate. The recast budget provides $215,882 for the Office of the Speaker for the period February-June 2006. Mr. Snowe himself draws monthly allowances in excess of $5,000 in addition to his basic salary of approximately 5,000 Liberian dollars ($100) per month. The Office of the Speaker is also entitled to other substantial benefits, such as 1,500 gallons of gasoline per month ($4,500). There is a provision of $10,000 in the 150-days recast budget for foreign travel, although he is on the travel ban. As a senator, Jewel H. Taylor receives $1,500 in monthly allowances, $900 transportation allowances and 150 gallons of gasoline ($450), in addition to a basic salary of 3,500 Liberian dollars ($70).

Outside Liberia

115. After Charles Taylor was sent to the Special Court in Sierra Leone, the Panel contacted the Government of Nigeria to determine if the media reports were true that Taylor had large amounts of cash on him at the time of his arrest, and whether those assets had been frozen by Nigeria. No communication was received by the Panel from the Government of Nigeria prior to the preparation of this report.

116. The Panel also contacted the Governments of the United States of America, the United Kingdom, France, the Russian Federation, Germany, South Africa, Ghana, Gambia, Guinea, Sierra Leone, Senegal, Bulgaria, Burkina Faso, the United Arab Emirates, Lebanon, Côte d'Ivoire, the Democratic Republic of the Congo, Cyprus,

Uganda, Kazakhstan and Equatorial Guinea to learn if they have frozen the assets of any persons designated by the Security Council in resolution 1532 (2004). They reported that the following assets have been frozen:

Table 6
Details of assets frozen outside Liberia

Country that froze the assets	*Name of asset holder*	*Type of assets*	*Value*
Ghana	Grace B. Minor	Bank accounts	$116,963
Lebanon	Mohd. A. Salame	Bank accounts	$2.54 million
	Afi Ramadan Kleilat Al-Dilby	Several bank accounts	Not available
	Charles R. Bright	Bank accounts	closed in April 2004
	Edwin M. Snowe	Bank accounts	-$141,768 (overdraft)
France	Mohd A. Salame	Bank accounts	€784,142
	M. Moussa Cisse	Bank accounts	€16,883
	M. Augustinus Kouwenhoven	Bank accounts	€32,725
United Kingdom	Agnees Reeves Taylor	Bank accounts	£22,400
	San Air	Insurance company	£173,506
	Victor A. Bout	Bank accounts	€1,227
	Irina Shlyam, wife of Leonid Minin	Bank accounts	£70,255
Germany	Leonid Y. Minin	Bank accounts	€2,089
United States of America	Benoni W. Urey	Real estate	$695,000
	Victor A. Bout	Investments in companies	$2 million (approx.)
Syrian Arab Republic	Ammar Mamdouh Chichakli	Bank accounts	Not available

117. Further, the Bulgarian National Bank declared that in 2002, Nordic Ltd. and Rockman Ltd. opened accounts in Eurobank PLC, but that no transactions had been recorded and those accounts had now been closed.

118. In the previous Panel report (S/2005/745, para. 133), the Government of Lebanon reported two accounts belonging to Edwin M. Snowe in the Lebanese French bank: one in Lebanese Lira, which was closed, and the other a United States dollar account. After Edwin Snowe was put on the assets freeze list (August 2004), the United States dollar account had several transactions, both credits and debits, some of them for hundreds of thousands of dollars, with a Lebanese firm, Creative Investment SAL (Offshore). Snowe withdrew all the funds, leaving the account with an overdraft of $141,768, on 30 November 2004 with the assistance of Creative Investment SAL (Offshore). The chairman of the board of directors of this firm is Jamal A. H. Basma.

119. Similarly, Elias Haddad, a prominent Liberian businessman, helped Charles A. Bright take the money out of his bank accounts in Lebanon after resolution 1532 (2004) had been passed.

120. According to authorities in the Netherlands, Kleilat Ali was arrested on 17 March 2006 in the Netherlands and has been convicted of car trafficking. The Panel has taken up the matter with the Government of the Netherlands regarding freezing of the €3 million in cash found at the time of his arrest, but a reply has not been received at the time of submission of this report.

121. The United Kingdom reported that the two of the three Gibraltar-based companies added to the assets freeze list in December 2005, South Bound Ltd and All Trade Company Ltd, were struck off by the Registrar of Companies. The third, Westbound, will be struck off on the completion of three months from 1 March 2006, unless cause can be shown to the contrary.

Recommendations

122. All efforts should be made to speed up the legislation process in Liberia so that the Government can implement Security Council resolutions in letter and spirit.

VI. Impact of sanctions on the socio-economic and humanitarian situation in Liberia

123. The impact of the United Nations sanctions on diamonds, timber and arms has changed little. A lack of weapons imports has increased peace and security. The commodity sanctions have led to a loss of jobs, revenue and road maintenance; however, the impact of the commodity sector on the economy is probably overestimated. In order to assess the impact, it is first necessary to synthesize the current socio-economic and humanitarian situation.

124. On the basis of several interviews involving a wide range of Liberian and international actors, there is a consensus that persistent bad governance during much of Liberia's history was a major cause of its long-term economic and social decline, as well as of the political crisis that culminated in civil war. Decision-making and management processes were not participatory, transparent or accountable. Consequently, there have been gross violations of human rights, pervasive system failures and lack of sound strategies for sustainable socio-economic development.

125. It is this reality that President Ellen Johnson-Sirleaf referred to in her inaugural speech: "In a similar quest for economic renewal, we start from a premise that we are a wealthy people. Our nation is blessed with an endowment rich in natural and human resources. Yet our economy has collapsed due to the several civil conflicts and economic mismanagement by successive governments. The task of reconstructing our devastated economy is awesome, for which there will be no quick fix".

126. On a positive note, the IMF Executive Board in its most recent public notice stated that the Liberian economy continued to recover in 2005, largely driven by donor activities. Real GDP is estimated to have grown by 5.3 per cent, following modest growth of 2.6 per cent in 2004. This reflected the gradual improvement of security in rural areas, and restoration of activity in those sectors benefiting from

donor assistance (mainly the service sector). IMF further maintains that exports from Liberia remain depressed, while import levels remain high due mainly to large donor assistance. International reserves remain at a very low level, reflecting the continued financial weakness of the Central Bank of Liberia. Price and exchange rate developments reflect the return of relative stability to Liberia. Recently, however, there have been signs of a rise in inflation, in part reflecting higher donor expenditure.

127. For 2006, IMF projects that the Liberian economy will continue to recover, based on strong donor inflows and a revival of rural activities, following the re-establishment of security and the return of refugees to their communities. Real GDP growth will be led by agriculture and services. Notwithstanding the large donor presence, inflation is expected to remain modest, being contained to single digits. With a gradual decline in rubber exports, due to a lack of reinvestment in replanting and other maintenance, and a further increase in donor-funded imports, the trade deficit is projected to widen further.

128. The economic growth and human development indicators published in the *Liberia Economic Review* for 2005 by UNDP (Liberia) revealed an increase in the total value of the country's GDP of 10.11 per cent from US$ 493.5 million in 2004 to US$ 543.4 million in 2005. This increase has been attributed mainly to improved productivity in agriculture (rubber, rice, cassava) at 54.9 per cent of GDP, tertiary services (transport, telecommunications, trade and commerce, hotel) at 26.4 per cent and forestry, hunting and fishing at 19.5 per cent. The review cites non-productivity in the mining sector, particularly of iron ore and diamonds, as a key factor negatively influencing GDP growth, with the sanctions on timber and diamond exports perceived as being largely responsible for the continued high level of unemployment, currently standing at an estimated 85 per cent. This is likely to be overstated, however, given that both timber and diamonds will generate 10,000 jobs over the next decade.

129. Of the estimated population of 3.2 million, Liberia's total labour force in 2004, as recorded by the Ministry of Labour, stood at 541,862. Of this, the formal sector registered 121,862, with government being the largest employer, accounting for 57 per cent, followed by agriculture at 14 per cent. The informal sector (petty trading) recorded 420,000 or 77.5 per cent of the total labour force.

130. It is noteworthy that the Liberian economy, until now, has been officially private-enterprise oriented. However, many officials have deterred private investment. Official investment policies were, and still are, private sector friendly, within the context of the country's open-door policy, providing a range of incentives and tax holidays to foreign investors. In contrast, the real business climate has been less than favourable. A poor enabling environment resulting from pervasive corruption, uncertainties about the security situation, poor infrastructure (primarily electricity, water, sanitation, health and education) and weak fiscal management policies and systems has been and remains a key factor responsible for the high costs of doing business in Liberia.

131. While it is true that the United Nations sanctions on timber and diamond exports may have served as a disincentive for significant new investment in post-war Liberia, most of the key investors in Liberia's timber and diamond sectors were also friends of former president Taylor and key players in the civil conflict. The case of Gus Kouwenhoven (a citizen of the Netherlands and former proprietor of

Liberia's largest hotel complex, as well as President of the Oriental Timber Company), now facing a long jail term for crimes against humanity, is a classic example of the kind of investors that Liberia attracted under Taylor. Against this background, it is fair to suggest that the modus operandi of the previous government was largely responsible for discouraging legitimate and law-abiding investors, which the country desperately needed then and now more so. If anything, the sanctions have helped to create an enabling environment, where it is possible for investors to engage with the Government and people of Liberia on the basis of existing laws and systems that protect the interests of both the investors and the people of Liberia. For example, Executive Order No. 1 declaring all claims to logging concessions to be null and void should help institute the rule of law in the forest sector, which should encourage investors that need legal certainty.

132. One other challenge to Liberia's capacity to attract foreign investment in a way that is beneficial to the Liberian people is the fact that the Ministry of Commerce and Industry has extremely limited capacity in monitoring the activities of the various businesses from a tax collection perspective. For example, according to records of the Ministry of Commerce and Industry, there were 1,269 registered businesses operating in Liberia in 2005. Revenue collected from these businesses amounted to a mere US$ 443,937 and Lib$ 1,603,950. Additionally, it is obvious from the proliferation of substandard and outdated commodities being peddled on the streets of Monrovia, especially foodstuff and drugs, that internationally accepted standards for imported and locally manufactured goods are not being adequately enforced. Such a weakness on the part of the Government poses serious health hazards to the consumers, especially rural populations.

Socio-economic and humanitarian impacts of sanctions

133. The historical dependence of the Liberian economy on the export of natural resources has led to a situation where the country's economy continues to be highly vulnerable to ongoing political and economic instability and susceptible to any form of social unrest, however slight. In its previous mandates, the Panel's investigations revealed that, in the period immediately prior to the imposition of economic sanctions, the timber and diamond industries did not contribute significantly to the provision of social services or indeed to any durable infrastructural development in the country. The restrictions imposed by the sanctions especially on timber and diamond exports, despite their beneficial effects in terms of instituting reforms in these sectors, have been perceived by many as having exerted negative impacts on employment, social services, government revenues and the rule of law. Also, the stigma of sanctions is believed to be a disincentive to prospective investors in the country.

Employment and local economies

134. In all the 13 counties visited by the Panel, high unemployment, particularly among the youth, was abundantly evident. Apart from government and plantation workers with permanent jobs, albeit very low salaries, the main providers of "well paid" jobs, continue to be the NGOs and United Nations agencies, which provide employment mainly on short-term contracts that range typically from one to 12 months, depending on the availability of funding and the lifespan of the projects.

135. Daily waged labour is currently the predominant mode of employing people in practically all sectors, given the labour-intensive nature of most of the work now available. A significant proportion of construction-oriented projects are outsourced to local contractors, the main recruiters of daily-waged labourers. The accelerated return of internally displaced persons and refugees continues to pose major planning and social challenges to the central and local government authorities, given the severe lack of employment opportunities in the country.

136. The local economies and livelihoods in all communities in or near former logging concessions remain dependent largely on subsistence agricultural activities and small business enterprises, particularly petty trading. In fact, this has long been the case. Immediately before sanctions were imposed, communities near concessions had no more clinics, schools, and water and sanitation facilities than rural communities outside logging areas (S/20203/779, para. 58).

137. Small-to-medium-scale diamond and gold mining activities, mostly illicit, have increased significantly, particularly in Lofa, Nimba and Sinoe counties. It is particularly noteworthy that in every one of the mining towns visited, children from as young as seven years were seen working as apprentices to tailors, mechanics and craftspeople, selling trays of food or goods on the streets and at the mining sites, as well as carrying baskets of gravel and digging pits in the mines.

138. Pitsawing has also grown rapidly in the past year, with a proliferation of private chain saw operators criss-crossing the forested areas and operating with the full knowledge of local authorities. According to the Forestry Development Authority, there are currently approximately 200 registered pitsawing operations, employing at about 1,000 people, an indication of the Government's inability so far to control and manage its forests so that the commercial, conservation and community aspects of forest exploitation and management are reconciled or harmonized for the benefit of the wider society. When industrial logging resumes and replaces the pitsawing, it is likely that these pitsawyers will grab most of the logging jobs available during the first few years.

139. In the area of cash crop farming, rubber farms continue to employ the majority of rural dwellers, despite increasing publicity of human rights abuses by the larger rubber companies. Other cash crop plantations, such as coffee and cocoa, which were for many years abandoned, now require extensive rehabilitation as more and more previously displaced communities return home.

Social services; physical and social infrastructure

140. Corruption in government and a lack of infrastructure are the biggest impediments to investment in Liberia. In all of the counties with large concessions, there have not been any significant improvements in the status of public and social infrastructure since the last Panel report in November 2005. However, the World Bank has committed $22.5 million towards the "Emergency rehabilitation and repair of critical infrastructure". This is intended to support repair of the primary and secondary road network, with reconstruction, repair and reinstatement of roads, bridges and culverts. The programme is also focused on improving the bulk water supply to Monrovia. UNMIL and the Office of the United Nations High Commissioner for Refugees (UNHCR) have been supporting the rehabilitation of strategic road networks and bridges, especially in Lofa and Nimba counties, to enable the speedy return of the thousands of refugees. Other United Nations

agencies, non-governmental organizations and the International Committee of the Red Cross (ICRC) are supporting a wide range of projects in the areas of health, water and sanitation, education, agriculture, emergency relief, community empowerment, food security, legal reforms, peacebuilding, good governance, shelter construction, female empowerment and HIV/AIDS. Key donors to Liberia's recovery programme are the EU member States and the United States Agency for International Development (USAID).

Civil administration and justice systems

141. Civil administration in all the counties is being gradually established, with the appointment of county superintendents nearly completed. But there were several complaints about a lack of financial support from central government. In a number of counties that the team visited, it was apparent that the county administrators, faced with high unemployment levels and the absence of substantive private investments in their areas, are primarily involved in a variety of unofficial (often illegal) self-financing initiatives, to keep themselves and their offices functional. These initiatives include the informal collection of various kinds of taxes and levies from people involved in livelihood activities ranging from fishing, farming, cross-border trade, alluvial mining, domestic pitsawing, hunting, land sales and housing rental, to renting of city halls and collection of cemetery fees.

142. However, some level of support for the rehabilitation and equipping of public office structures is being provided to central and county-level governmental agencies, through projects funded largely by the United Nations agencies and international non-governmental organizations. It was evident that the prevailing working conditions remain too unattractive for the majority of staff to relocate from Monrovia. The start of the rainy season, which means deteriorating road conditions and poor access to and from many counties, will further delay the much needed deployment of government personnel to their duty stations.

143. In many of the counties visited, the assessment findings with respect to the rule of law and justice systems in place, were consistent with the results of the International Crisis Group's findings:[3]

> "In many of the counties, courts have ceased functioning. In some cases, magistrates conduct hearings on their balconies or in private homes because of crumbling or demolished courthouses. Prisoners languish indefinitely in pre-trial detention because the courts lack personnel, bookkeeping and case management skills. Low salaries and deplorable working conditions for judges, magistrates and justices of the peace nurture widespread corruption. Magistrates' courts often apply civil procedure in criminal cases because they lack relevant legal texts. Justices of the peace, many illiterate, operate ad hoc justice forums after being instructed to cease hearing cases."

144. The report further revealed that Liberia's justice system has not received serious or sustained attention in the past two years. UNMIL estimates that over half of the 300 justices of the peace, whose main qualification is supposed to be literacy, are illiterate. Only three of 130 magistrates are lawyers. Circuit courts are dysfunctional, allowing cases to stall in the preliminary hearing stage without reaching trial. Incidents of mob justice are a direct result of lack of faith in the

[3] *Liberia: Resurrecting the Justice System.*

police, corrections systems, criminal investigations and the justice system as a whole. Chiefs applying customary law under the Ministry of Internal Affairs levy high fines, adjudicate criminal cases outside their jurisdiction and are complicit in forced labour practices. The weak judicial system has forced businesses to shun the courts and turn to politicians and other traditional fixers. Business transactions outside the judicial system have inevitably resulted in higher transaction costs. A Liberia without courts that can enforce contract rights will not attract the job-creating long-term investors the country now desperately needs.

General observations

145. The strong links between poverty, post-conflict reconciliation and peacebuilding and sustainable natural resource management in Liberia are becoming increasingly apparent to policymakers and practitioners in the humanitarian relief, development and conservation communities. This holds particularly true for Liberia, classified as a Heavily Indebted Poor Country and whose economy depends on its natural capital since it is a largely natural resource-based subsistence economy, in which the rural poor form over 80 per cent of the population.

146. Against the background of the country's recent history, everyone interviewed by the Panel agreed that the United Nations sanctions have helped to stabilize the situation in Liberia. In this regard the sanctions have played a constructive role, in spite of the many obstacles to their implementation. On the other hand, there is now a widely held view that increasing evidence of growing poverty and destitution, particularly among the youth, could become a real threat to the consolidation of the ongoing peace process and efforts to rebuild the country.

147. Many concerns were expressed by Liberians and members of the international community about the fragile and sometimes volatile political and security situation in neighbouring Côte d'Ivoire and how a sudden influx of refugees into Liberia could affect the current humanitarian situation. Such fears stem from the visible status of thousands of youths, many of whom are former combatants who did not go through the formal process of disarmament, demobilization, reintegration and repatriation and remain unemployed, idle and angry, or have gone through the various stages of that process, including a short stint of paid work, but have so far failed to find meaningful employment.

148. Concerns were also expressed by various donors and stakeholders about the slow pace of economic progress following Sierra Leone's peace process, despite five years of peace and investments in peacekeeping and peacebuilding, humanitarian relief and development assistance, worth billions of dollars. Despite the lifting of sanctions in Sierra Leone, unemployment is rising, as is rural and urban poverty and social and environmental degradation. Most private-sector investment is in the extractive industries. Yet with thousands of poor, malnourished and unemployed youth roaming the streets all over the country, many of them semi-literate or illiterate, Sierra Leone is not yet a shining example for Liberia to emulate.

149. There is growing concern among members of the Liberian public, and some donors as well, about the very high expectations Liberia's youth have of the Government regarding employment and the provision of social services. It is widely perceived that failure to manage these expectations quickly and adequately could be destructive for the peacebuilding and economic recovery processes. Concerns are also being expressed about the current institutional capacity of the civil service and

related branches of the new Government to manage large operations in practically all of the sectors that would require spending huge sums of money. Many argue that, despite the ongoing implementation of GEMAP, and the technical competence and integrity of the political leadership, the systems are not yet functional enough at the operational level to ensure the high degree of transparency and accountability required by Liberia's donors and sponsors for them to stay engaged in the country.

150. The efforts of the Government of Liberia to "put the house in order" would require taking some drastic measures, including reforming the civil service. This means that thousands of civil servants will have to be made redundant. Given the country's unemployment level of over 80 per cent, putting more Liberians on the streets is not exactly an easy option for the Government, but its reform agenda will not achieve much success if such steps are not taken. Alternative employment opportunities are needed urgently to help stabilize a potentially dangerous state of affairs.

151. Many Liberians interviewed by the Panel equated the lifting of sanctions on timber and diamonds with a dramatic increase in rural employment opportunities, an upsurge in various economic and livelihood/income-generating activities, better maintained roads and improved transportation, easier access to markets and social services and, overall, more money in their pockets. This is a clear demonstration of the dominant role played by the forest ecosystem in Liberia's political, economic and social life. What is not yet fully understood by many Liberians is that the forests that so many hopes are built upon are not able to provide such a goldmine. As described in the timber section of this report, even at full capacity the sector will provide only $80 million (in contrast, the iron ore in Nimba is capable of producing billions a year in revenue). Over the next three years, timber is only likely to employ 2,000 people, most of them probably young men currently employed as pitsawyers. Meanwhile the forests are undergoing degradation due to unplanned forest clearance for agriculture, uncontrolled pitsawing, mineral mining, expansion of the rubber estates, and forest clearance simply to claim land. These actions have resulted in the conversion of vast expanses of forest to non-forest, and left much of the remaining forested areas fragmented and degraded. All of which will undermine the forests' ability to provide the jobs and revenue mentioned above.

Recommendations

152. The Panel recommends that the Government of Liberia and its international partners:

- Prioritize the creation of opportunities for Liberians to have greater access to markets and other social services in the larger population centres around the country. Investing heavily in the construction/rehabilitation of durable roads and bridges would significantly enhance the livelihoods of the rural populations, while creating employment, training and income-generating opportunities for thousands;

- Give urgent priority to the development of Liberia's human capital, through increased accelerated learning programmes that address the ability of the poor to utilize economic opportunities, including their education, skill and health levels. With a national illiteracy rate of over 70 per cent, the Government must intensify its international campaign to attract more educated, experienced and

skilled Liberians in the diaspora to return home and participate in such programmes;

– Adopt a proactive stance in ensuring the sustainable management of its natural resources, particularly the forests, given their significance in the economic, social and cultural lives of the Liberian people. All the key players in Liberia's recovery process, most importantly the private investors, non-governmental organizations, bilateral and multilateral donors and their implementing partners on the one hand, and local communities and leaders on the other, must be actively engaged and assisted in integrating environmental considerations into their various livelihood support activities and interventions across all sectors.

Travel ban

153. The Security Council imposed sanctions on individuals who were "providing financial or military support to armed rebel groups" and those considered a threat to regional peace and stability (resolution 1521 (2003), paras. 2 and 4 (a), respectively). The sanctions prevent the travel of 85 people, including key figures and their spouses associated with former president Taylor.

154. Taylor's recent arrest does not fundamentally change the grounds for which the travel ban restriction was established. Indeed, the desire to transfer him to the court in the Hague is based on concerns for regional safety if he remains on trial in Freetown, Sierra Leone.

Violations

155. On 16 January 2006, Mohammed Salame flew from Lebanon to the Central African Republic on his Lebanese passport. M. Salame had travelled to the Central African Republic at least once before, on 28 November 2004.

156. On 8 March 2006, Ali Kleilat flew from Lebanon to Paris, as a first destination, on his Lebanese passport. On 17 March, the police of the Netherlands arrested him for trafficking stolen cars. When arrested, he had €3 million and a small quantity of cocaine in his possession. Kleilat was convicted and sentenced to four years in jail, and the authorities are trying to recover a further €1.3 million as an administrative sanction. It is to be noted that that Kleilat owned a Boeing 727 airplane (registered 3D-JNM) used by Taylor (see S/2004/396, paras. 61-62). Kleilat and Mohammed Salame also used the airplane to fly throughout the African continent in 2003.

157. Various intelligence sources indicate that Benjamin Yeaten is in Lomé, Togo, staying in the vicinity of the army barracks.

158. On 30 March 2006, Charles (Chuckie) Taylor, Jr. was arrested in Miami, United States of America, for making false statements on his application for a United States passport, i.e. not mentioning that he was the son of Charles Taylor. He had flown to Miami from Trinidad.

159. Regular complaints are made by individuals listed on the travel ban about the right to defend themselves against accusations and, therefore, to know their accusers and the charges against them. One side effect of the travel ban is to create among some of the individuals listed a form of unity based on the feeling of unfairness.

Conclusions and recommendations

160. In airports and along the borders in West Africa, the lack of infrastructure and information about the travel ban, combined with corruption and the porosity of the borders, constitute serious obstacles to controlling travel. Indeed, it is likely that the travel ban has been violated by more individuals than those referred to above. No country has voluntarily reported violations of the travel ban to the Sanctions Committee. Furthermore, it is unclear whether any countries even have monitoring systems in place to detect violations.

161. Countries should, therefore, report at least once a year to the Committee, describing their investigations and any violations of the travel ban.

Civil aviation

162. Only one plane is currently registered by the Liberian Civil Aviation: a Tristar A8 AAB registered by International Air Services (IAS) of the United Arab Emirates. Another plane, an A8 AAA, was deregistered on 12 February 2006 by the Liberian Civil Aviation for technical reasons. In 2004, flights using the IAS call sign were made by the United Kingdom-based company Avient with aircraft belonging to African International Airways and Silverback Cargo Freighters. IAS staff claim to have asked Avient to stop using their call sign. However, agreed fees were paid to IAS by Avient for the use of the call sign. Avient provided the Panel with examples of manifests and the data of all flights operated in this manner, and offered to provide full documentation. It is to be noted that no data on any weapons deliveries[4] were found.

Liberian passports

163. The Ministry of Foreign Affairs intends to issue new, machine-readable passports that contain biometric data. No contract has been awarded to issue regular or diplomatic passports, but given past reports, there is a growing concern that thousands of passports may be fraudulently obtained.

Arms embargo

The situation in Liberia

164. A Public Opinion Survey of UNMIL work in Liberia was conducted in January-March 2006 by Dr. Jean Kranso, from the City College of New York and Yale University. Owing to the road conditions, the majority of the survey was made in the coastal areas. Based on interviews with approximately 800 Liberians, most people have a very positive opinion of UNMIL and a real gratitude for its presence in Liberia. But, even in Montserrado county and other counties close to Monrovia, a substantial percentage of the people (32%) rated the disarmament process as only fair or poor, stating that UNMIL had not completely disarmed the country, leaving some rebels with arms in the Guthrie rubber plantation and the Belle Forest areas in Gbarpolu and Lofa.

[4] In the past, the borrowing of call signs was used to disguise and complicate the tracking of flights making illegal deliveries of weapons. Furthermore, IAS and Silverback Cargo Freighters are on the European Union list of air carriers whose operations are subject to a ban within the Community.

165. The Panel remains concerned that an undetermined number of ex-combatants have probably kept weapons, even if only for protection. The UNDP project "Arms for development", launched in January 2006, ended in May 2006 with 38 rifles surrendered under a special waiver (see annex VII). A more direct incentive for the ex-combatants to surrender weapons may help the project to increase that number, in the opinion of the Panel.

166. In the meantime UNMIL, through searches and discoveries, recovered 54 AK 47 rifles and four small machine guns (annex VIII). Fortunately, as time passes in a humid climate, buried weapons are likely to deteriorate to the point where they become unserviceable.

Recommendations on the arms embargo

167. The Panel recommends that the arms embargo remain in place until the end of the training of the Liberian Army and, should it be lifted, that the lifting should not extend to non-State actors.

Reintegration

168. On 30 March 2006 the number of ex-combatants who were either in reintegration programmes or had completed such programmes was 65,893 of a total of 101,874 ex-combatants eligible for short-term reintegration opportunities. The remaining number therefore is 35,985. The outstanding caseload of ex-combatants is critical in Nimba, Grand Gedeh, Montserrado, Bomi and Bong, ranging from 2,000 to 6,000 in each instance. These are the areas located at the borders and the capital city, the most unstable areas of Liberia.

169. The main difficulty encountered in the reintegration programme is that identity cards are swapped for use by other community members, such as children or relatives. In most agricultural projects the ex-combatants would register for participation but would fail to show up. In formal education programmes they have mostly allowed their children or junior siblings to take advantage of the opportunity in their place.

170. In other cases, the card carriers have opted for a more lucrative activity such as mining or rubber tapping. They often would only show up on a regular monthly basis to collect their subsistence allowances and share them with their relatives and the people who had replaced them.

171. There are also indications that in some cases the ex-combatants have sold their cards. Some ex-combatants requested name changes for their cards because they had initially used their war-time names and wanted these names removed.

172. In general, the interest in agriculture is very low and therefore a low participation rate is realized. In fact, in the initial profiles, 56 per cent of the beneficiaries indicated an interest in vocational skills and 42 per cent an interest in formal education. Only 2 per cent expressed an interest in agriculture. Land ownership is also an issue which cannot be neglected. The Panel agrees with the UNDP Resident Representative that agriculture may be seen by most of the ex-combatants as complementary to vocational skills and not a skill in its own right. Hiring ex-combatants for social services in support of specific community needs may also be a solution.

New Armed Forces of Liberia

Current situation

173. The reform of the Armed Forces of Liberia is being managed by the contractor, Dyncorp. Dyncorp estimates that it will take three years and $95 million. The Panel examined Camp Schieffelin and found sufficient progress has been made on the barracks and on the armoury where arms and ammunition will be kept separately.

174. In order to train 2,000 soldiers, Dyncorp will interview around 10,000 candidates. The recruits will be vetted for records of violations of human rights and criminal records. It has been difficult to find suitable candidates, given the general lack of education, which recruits try to hide with false diplomas.

175. The first training with the imported weapons is expected to take place in mid-summer 2006. The Ministry of Defense agreed that the arms embargo should be lifted when the training is completed and when storage for weapons and ammunition is ensured, but that any lifting of the embargo should not take place for non-State actors. According to Dyncorp and other actors there would be no need for lifting the embargo before the end of 2006.

176. The Ministry also agreed that the Armed Forces of Liberia should be given no law enforcement role and that their role should be based on the Constitution.

177. AFL benefits are: after one year of probation, private soldiers would receive $90 per month salary plus lodging and food for their family. A new pension plan is also being set up, and a bank will be established in the camp where salaries will be deposited directly, in order to avoid past abuses where higher-ranking staff controlled (and diverted) pay.

Police

178. Like the AFL, the Liberian National Police (LNP) are encountering difficulties in finding suitable recruits. Their trouble is compounded by the fact that they cannot match the AFL benefits package. Monrovia is relatively expensive and the $60 to $90 salary per month for a police officer is insufficient to cover family expenses, which also favours corruption.

179. Both the LNP Director and the Ministry of Internal Affairs agree that weapons are needed to help the police to control crime in the city, especially armed robbery. The Panel suggests the following:

> Weapons access should be restricted to a police support unit that provides armed back-up, if and when necessary;
>
> The police should be provided with weapons and ammunition that are traceable and can thus be linked back to the original recipient;
>
> An internal affairs unit could be established within the LNP with adequate power to investigate abuses and corruption cases; and
>
> The possibility of the use of non-lethal weapons should be studied.

Recruitment

General situation in Liberia and on the borders

180. Four main issues are now surfacing in Liberia concerning peace and stability:

(a) The first is the presence of "hunters" allegedly coming from Nimba County who have moved into the area of Voinjama and Kolahun in Lofa County near the Wologizi mountains. They are estimated to number between 70 and 200 and allegedly are armed with shotguns, but there is a strong suspicion relayed by intelligence sources that some also possess automatic rifles. Allegedly, they generally come from Nimba County and have been moving since 2003. UNMIL observers noted that they looked very tired and unmotivated. However, their presence in Lofa can create tension;

(b) The second issue is a land dispute between Mandingo and Gio ethnic groups in Saniquellie and Ganta, Nimba County. Even though the land disputed is small in area (the Ministry of Internal Affairs reported 30 acres located in a strategic place along the highway), there is the potential for instability. The riots in Monrovia in October 2004 started from a dispute over a small piece of land owned or not owned by a Mandingo;

(c) The third issue is the illegal tapping of rubber which caused trouble in the area of Cocopa plantation south of Ganta in Nimba County in early May 2006 and involved shootings. Guthrie rubber plantation has been occupied for almost three years by former fighters, as has the Sinoe rubber plantation. Since the war ended all efforts to remove them have failed. The fighters do not want to leave the plantation because it serves as a source of income. According to a UNMIL report, the fighters are selling their rubber to the Firestone Company. A raid made by UNMIL to discover arms was unfruitful; however, the risk of having an organized squad of ex-combatants who are not prepared to obey regulations is still an issue;

(d) Other intelligence reports released to the Panel, though not confirmed by factual evidence, indicated that organized and controlled recruitment for Côte d'Ivoire is still a possibility.

Trouble caused by the presence of Charles Taylor in Sierra Leone

181. After the transfer of Charles Taylor to Freetown, contacts have been established between pro-Taylor supporters in order to study the possibility of freeing him from jail.

Annex I

Meetings and consultations

Belgium

European Commission — West Africa Division

Permanent Representatives of France, Sweden and the United Kingdom to the European Union

Antwerp Diamond High Council

World Diamond Council

France

Government

Ministry of Foreign Affairs

Bilateral and multilateral agencies

UNDP

WFP

UNHCR

ICRC

UNICEF

Diplomatic

Ukraine

Liberia

Government

Ministry of Agriculture

Ministry of Finance

Ministry of Commerce and Industry

Ministry of Foreign Affairs

Ministry of Defense

Ministry of Lands, Mines and Energy

Ministry of Post and Telecommunications

National Port Authority

Central Bank of Liberia

Bureau of Maritime Affairs

National Investment Commission

Forestry Development Authority

Liberia Petroleum Refinery Corporation

Budget Bureau

Auditor General

Chairperson, Governance Reforms Commission

Chairperson, Contract and Monopolies Commission

Liberia Telecommunication Corporation

Diplomatic

Guinea (Consular)

France (Humanitarian Attaché, Consular Attaché)

United States of America

United Kingdom

Bilateral and multilateral agencies

UNDP

UNEP

UNMIL

European Commission

International Crisis Group

Danish Refugee Council

Peace Winds Japan

Liberia Forest Initiative

Conservation International

Fauna and Flora International

Sustainable Development Institute

Green Advocates

Private sector

Ana Woods

Bivac International

Liberian Timber Association

West Oil Investments Inc

Monrovia Oil Transport Corporation

Aminata & Sons

Lonestar Communications Corporation

CellCom

Mano River Resources

Sierra Leone

Multilateral and bilateral agencies

Special Court of Sierra Leone

United Nations Integrated Office in Sierra Leone/UNAMSIL

Private sector sources

Sweden

Secretary of State for Foreign Affairs

Ministry of Foreign Affairs

Swedish International Development Agency

Uppsala University, Department of Peace and Conflict

United Kingdom

Bilateral and multilateral agencies

Royal Institute of International Affairs

Global Witness

Bank of England

International Organisations Department

Foreign and Commonwealth Office

Save the Children (UK)

Private sector sources

De Beers

Belgium

Antwerp Diamond High Council

World Diamond Council

United Nations

Department of Political Affairs

Interpol Liaison Office

Permanent Missions

France

Nigeria

United States of America

Government

US Forest Service

US State Department

US Treasury

Bilateral and multilateral agencies/institutions

Conservation International

Human Rights Watch

International Crisis Group

Japanese International Cooperation Agency

World Bank

International Monetary Fund

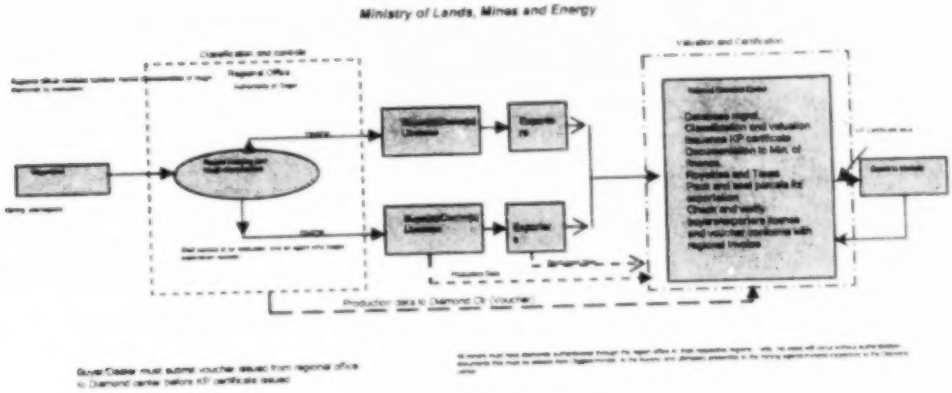
United Kingdom

Department for International Development

Global Witness

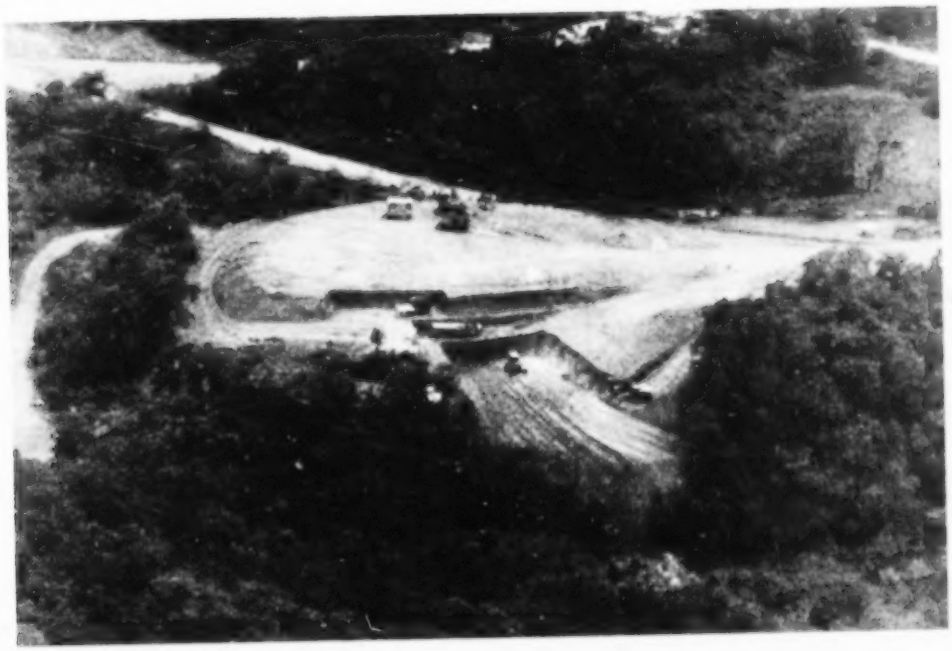
Annex II

Proposed internal controls for diamond sales in Liberia


Ministry of Lands, Mines and Energy
Regional Office
Valuation and Certification
Dealer must submit voucher issued from regional office to Diamond center before KP certificate issued

Annex III

AMA Mining Site latitude 07°38.17' north, longitude 10°34.29 west



Annex IV

Revenue receipts of the Government of Liberia

(millions of Liberian dollars)

Sources	*2005*	*2004*	*2003*	*2002*	*2001*
Custom and Excise	1 520.7	1 365.1	918.5	1 124.7	957.7
Petroleum Sales levies	37.7	60.5	170.5	347.9	230.1
Maritime	309.8	776.3	629.0	685.3	387.3
Forestry	—	—	156.5	707.0	399.0
Direct and indirect taxes[a]	1 921.8	1 306.1	625.4	1 094.8	1 007.1
Total	**3 790.0**	**3 508.0**	**2 499.9**	**3 959.9**	**2 981.2**

Source: Central Bank of Liberia.
[a] Inclusive of grants.

Annex V

Department of Revenue
Ministry of Finance
Maritime revenue collected

Month	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
JANUARY	0.0	1,695,958.04	563,431.67	648,326.02	2,312,540.00	0.0	1,606,736.00	2,366,675.00	1,721,852.00	1,175,842.45
FEBRUARY	0.0	1,165,156.24	1,706,231.24	448,500.00	929,550.00	3,484,476.00	730,774.00	2,395,588.00	643,688.00	3,083,280.00
MARCH	513,421.48	633,269.76	766,119.41	759,500.00	672,050.00	978,724.00	648,187.00	564,997.00	402,384.00	846,055.00
APRIL	6,546,290.38	714,022.22	1,032,869.91	850,000.00	858,161.20	789,471.00	700,459.00	746,206.00	0.00	
MAY	1,253,217.99	1,100,920.98	852,298.92	550,000.00	569,408.00	776,928.00	504,671.00	644,985.00	783,599.50	
JUNE	2,266,857.12	2,695,718.33	3,326,278.47	1,500,000.00	1,975,829.00	1,911,033.00	1,441,481.00	1,192,048.00	937,155.00	
JULY	2,281,369.55	1,596,851.19	1,330,600.79	450,000.00	581,822.00	1,203,526.00	0.0	1,663,918.00	2,415,432.02	
AUGUST	390,311.00	512,071.35	666,244.29	200,000.00	579,676.00	1,055,301.00	0.0	457,387.00	177,896.00	
SEPTEMBER	289,103.06	629,210.84	537,668.19	0.0	3,137,327.00	98,459.00	1,975,717.00	439,350.00	413,710.00	
OCTOBER	516,106.78	516,106.78	417,864.32	200,000.00	555,463.00	568,648.00	0.0	414,156.00	404,673.00	
NOVEMBER	1,743,629.48	810,934.16	545,042.04	430,794.44	667,714.00	976,179.00	1,342,516.75	1,188,938.40	765,208.00	
DECEMBER	3,746,589.89	5,270,979.50	3,481,025.29	11,905,672.54	1,100,000.00	1,248,014.00	2,108,404.00	1,662,924.00	118,552.00	
TOTAL	19,546,996.73	17,341,199.39	15,225,674.54	17,942,793.00	13,939,540.20	13,390,761.00	11,068,945.75	13,737,172.40	8,794,149.52	4,905,177.45

S/2006/379

Annex VI

Section VII of LISCR Contract with the Government of Liberia

SECTION VII. TRANSITIONAL PERIOD

7.1 The Parties recognize that, prior to the Effective Date, The International Trust Company of Liberia ("ITC") has acted as the GOVERNMENT's agent in performing some of the responsibilities set forth herein, and that a smooth transition from ITC to the AGENT is necessary in order to ensure the continuing superior level of service to the shipowners and the maintenance of business operations.

7.2 AGENT shall immediately use its best efforts to accomplish a smooth transition from ITC during the period from the execution of this Agreement through the Effective Date (such period referred to herein as the "Transition Period"), including (a) liaison with the shipowners to minimize losses due to the transition; (b) assure that invoices during the Transition Period have been properly sent; (c) supervision the collection of invoices; and (d) oversee the close out of any year ending during the Transition Period to maximize the GOVERNMENT's revenue with respect to 1999 and prior years.

7.3 AGENT shall receive no additional fee for carrying out the obligations set forth above, but shall be reimbursed from future revenues for all reasonable expenses incurred during the Transition Period which shall be approved by the Commissioner.

Annex VII

Mechanical Engineering Group
(MEG) S.A.L.
Off Shore

Lebanese Joint Stock Company

CIRCULAR LETTER

Dear Sirs,

We have the honor to inform you that we have constituted in Beirut, a joint stock company, governed by the provisions of the laws in force, under the commercial denomination:

Mechanical Engineering Group (MEG) S.A.L. Off Shore
The Company has been inimatriculated at the register ad-hoc of the secretary ship of the Register of Commerce, Beirut under Nr On

Its Subject: **off shore trading and contracting**

The Capital:

The capital has been fixed at: U.S dollar 20000, subdivided into one thousand shares, all nominative, each share of twenty dollars.
The Board of Directors is composed of three members, and lasts three years, ending at the date of the meeting of the Ordinary General Assembly which will examine the accounts of the fiscal year 2007. The members are:

Jamal Basma, Ghassan Basma, Nada Abou El-Hessen and Joseph Nasr.
The right of signature for account of the company is entrusted to the **Chairman of the Board of Directors – General Manager, Jamal Basma** and the appointed **general manager in Liberia Mr. Joseph Nasr** who was appointed as General Manager for a period of 3 years in accordance with the law, and the powers and authorities granted unto them by the Articles of Association and the resolution of the Board of Directors of 11/10/2005
The chairman of the board is **JAMAL A. H. BASMA** and he signs like this :

The General Manager in Liberia Mr. Joseph Nasr signs like this:

Yours faithfully

ميكانيكال انجينيرينغ غروب (ام اي جي)
ش.م.ل.
أوف شور
شركة مساهمة لبنانية

إذاعة تجارية

حضرات السادة ،

نتشرف باعلامكم اننا اسسنا في بيروت شركة مساهمة أوف شور تخضع لأحكام القوانين المرعية الاجراء تحمل اسم

ميكانيكال انجينيرينغ غروب (ام اي جي) ش.م.ل. أوف شور

سجلت هذه الشركة في السجل الخاص بالشركات المعطلة لدى امانة السجل التجاري في بيروت تحت رقم ١٨٠١١٨٩ تاريخ ٢٠٠٥/٧/١١ .

موضوعها تجارة وتعاقد خارج لبنان (اوف شور)

راسمالها

[illegible] مقسم الى الف سهم قيمتها اسمية [illegible]

[illegible] مجلس الادارة مؤلف من ثلاثة اعضاء لمدة ثلاث سنوات تنتهي بتاريخ انعقاد الجمعية العمومية العادية التي ستصادق على حسابات السنة المالية ٢٠٠٧ من السادة

جمال بسما وغسان بسما ونادى ابو الحسن وجوزف نصر

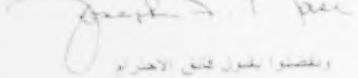
[illegible] حق التوقيع عن الشركة منوط برئيس مجلس الادارة – المدير العام جمال عبد الحسين بسما اضافة الى المدير العام المفوض السيد جوزف نصر في ليبريا وذلك وفقا للقانون والصلاحيات الممنوحة له بموجب النظام الأساسي وقرار مجلس الادارة تاريخ [illegible]

ان رئيس مجلس الادارة يوقع هكذا :

جمال عبد الحسين بسما

ان المدير العام في ليبريا يوقع هكذا :

جوزف نصر



وتفضلوا بقبول فائق الاحترام

Annex VIII

Weapons and ammunition recovered

Statistics for April 2006

Ser	WPN/AMMO TYPE	MAR	APRIL	TOTAL 2006
1.	M16	NA	NA	1
2.	SMG	NA	1	4
3.	AK47	8	7	54
4.	FN Rifle 7.62mm	NA	NA	3
5.	AK47 Magazines	6	12	57
6.	RPG-7 Rocket Launcher	2	NA	3
7.	RPG-7 Rocket	13	8	54
8.	AT M-57 AAW	NA	1	1
9.	84mm Mortar Bomb	1	NA	1
10.	82mm Mortar Bomb	NA	NA	1
11.	81mm Mortar Bomb HE	3	8	18
12.	81mm Mortar Bomb SMK	NA	1	1
13.	60mm Mortar Bomb	9	14	28
14.	40mm Mortar Bomb	1	4	8
15.	LMG	NA	1	1
16.	14.5mm	NA	NA	2
17.	12.7mm	NA	NA	7
18.	7.62mm ammo	302	768	1478
19.	5.56mm	NA	24	24
20.	SMG ammo	750	41	812
21.	9mm	NA	NA	42
22.	SAA AMMO	NA	NA	1008
23.	Shotgun Cartridges	NA	NA	4000
24.	UXO	4	8	16
25.	Hand Grenade	13	7	39
26.	Rifle	NA	1	3
27.	Single Barrel Shotgun	2	NA	2
28.	Pistol/Revolver	NA	NA	2
29.	Bangalore Torpedo	NA	NA	1
30.	Telescopic Sight	NA	NA	1

Annex IX

Panel of Experts on Liberia